聯邦制藥國際控股有限公司
The United Laboratories International Holdings Limited

(A company incorporated in the Cayman Islands with limited liability)
(Stock Code: 3933)

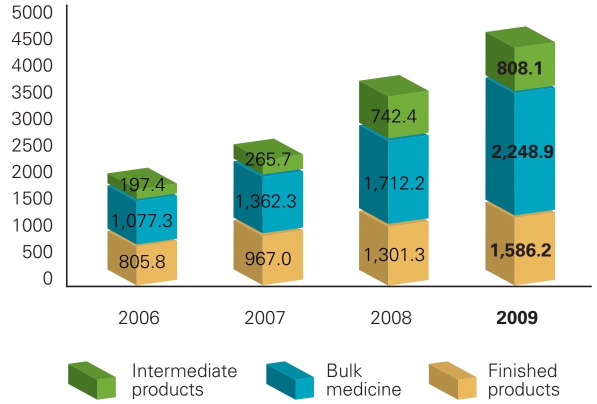
ANNUAL REPORT 2009

FINANCIAL HIGHLIGHT

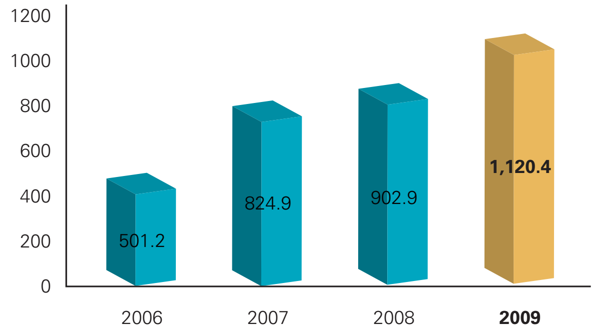
(HK$ millions, except where otherwise stated)	**2009**	2008	% Increase
Turnover	**4,643.2**	3,755.9	23.6%
EBITDA	**1,120.4**	902.9	24.1%
Profit before taxation	**693.4**	532.5	30.2%
Profit attributable to owners of the Company	**541.4**	430.2	25.9%
Earnings per share – basic (HK Cents)	**45.1**	35.8	26.0%
Return on average total equity (%)	**18.0**	16.3	10.4%
Net gearing ratio* (%)	**54.0**	47.0	14.9%

*Note: calculated as total borrowings less pledged deposits and cash and bank balances to total equity

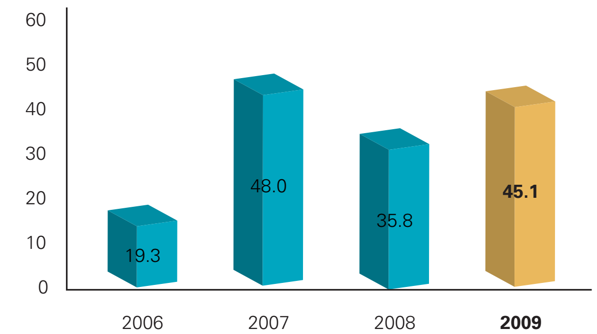
TURNOVER
(HK$ million)



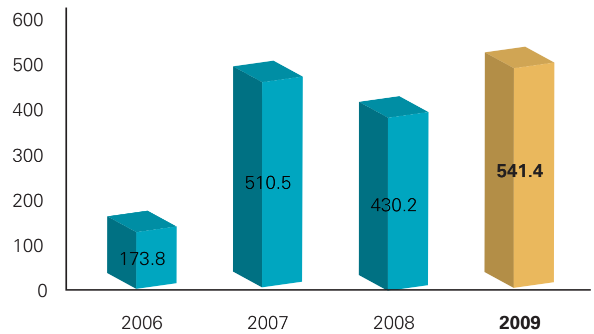
EBITDA
(HK$ million)



EARNINGS PER SHARE – BASIC
(HK Cents)



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(HK$ million)



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Zhongshan Research and Development Centre

Innovation

is the fundamental driving for corporate development

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. Choy Kam Lok *(Chairman)*
Ms. Peng Wei *(General Manager)*
Mr. Leung Wing Hon
Mr. Tsoi Hoi Shan

Non-executive director

Ms. Choy Siu Chit

Independent non-executive directors

Mr. Chong Peng Oon
Mr. Huang Bao Guang
Mr. Song Ming

COMPANY SECRETARY

Mr. Leung Wing Hon *(CPA)*

AUTHORISED REPRESENTATIVES

Mr. Choy Kam Lok
Mr. Leung Wing Hon

AUDIT COMMITTEE

Mr. Chong Peng Oon *(Chairman)*
Mr. Huang Bao Guang
Mr. Song Ming

REMUNERATION COMMITTEE

Mr. Chong Peng Oon *(Chairman)*
Mr. Huang Bao Guang
Mr. Song Ming

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

China

China Merchants Bank Co., Ltd,
Shenzhen Jin Se Jia Yuan Sub-branch
Industrial and Commercial Bank of China Ltd.,
Zhuhai Branch
HSBC Bank (China) Company Limited,
Guangzhou Branch
Bank of China Limited,
Zhuhai Branch
Shenzhen Development Bank Co., Ltd.,
Zhuhai Branch

Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
Wing Lung Bank Limited
Hang Seng Bank Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6 Fuk Wang Street
Yuen Long Industrial Estate
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

WEBSITE

www.tul.com.cn

2009 CORPORATE CALENDAR OF THE UNITED LABORATORIES

January 2009

The United Laboratories made a donation for the building of "United Caring Hospital (聯邦愛心醫院)" in the severe disaster area of Xinxing town, Pengzhou city.

February 2009

Wang Yang, a member of the Central Political Bureau of Communist Party of China and the Secretary of Guangdong Provincial Party Committee, visited Zhuhai United Laboratories and reviewed its performance in weathering the financial tsunami in 2008.

March 2009

The United Laboratories received the Certificate of Suitability in respect of its Amoxicillin Granule again. Since then, the product may be freely sold within 37 European countries which have signed the European Pharmacopoeia Agreement and EU Decree. Meanwhile, with the COS, the registration process for the purpose of selling this product in Canada, Australia, Tunisia, New Zealand and Morocco can be simplified.

April 2009

Zhuhai United Laboratories was jointly recognized as a high-technology company by Guangdong Science and Technology Department, Guangdong Provincial Finance Bureau, Guangdong Municipal Office of the State Administration of Taxation, and Guangdong Provincial Local Taxation Bureau. With the recognition, the Company may entitle a 15% reduction of enterprise income tax for three consecutive years.

Adefovir Dipivoxil, a product of The United Laboratories, was recognized by the Ministry of Science and Technology of the PRC as a project of the National Torch Programme of 2008. Bulk medicines and finished products of Adefovir Dipivoxil, Ampicillin and Cefoperazone Sodium were recognized by Guangdong Science and Technology Department as Guangdong Provincial New Hi-Tech Products.

May 2009

The award presentation ceremony of "China Pharmaceutical 30-year Conference", which was jointly hosted by Chinese Pharmaceutical Enterprises Association and health.sohu.com (搜狐健康網), was held in Beijing, in which The United Laboratories was granted the "Social Citizen Award".

The United Laboratories obtained an approval from the State Food and Drug Administration for the production of Rimantadine Hydrochloride Granules, a new medicine of treatment for Influenza Virus type A.

2009 CORPORATE CALENDAR OF THE UNITED LABORATORIES

July 2009

According to the results of the comprehensive benchmark assessment for enterprises, Guangdong Provincial Pharmaceutical Profession Association (廣東省醫藥行業協會) included The United Laboratories in the "top 20 enterprises engaged in the production of bulk medicine and finished products of chemical medicine in the pharmaceutical industry in Guangdong Province (廣東省醫藥工業化學藥品原藥、化學藥品製劑製造20强), and the top 20 enterprises in terms of turnover in the pharmaceutical industry (醫藥工業銷售收入20强) and the top 60 enterprises in terms of overall capacity (綜合實力60强企業)".

September 2009

The United Laboratories made a charitable donation of RMB5 million to Nanjing Drum Tower Hospital for the immunology department's development of stem cells and the research on the treatment of immune diseases and diabetes, as a means to support the medical development of Drum Tower Hospital.

November 2009

Mr. Choy Kam Lok, Chairman of The United Laboratories, was included in the list of "60 men in 60 years of Chinese pharmaceutical industry (中國醫藥60年60人)".

Recombinant Human Insulin Isophane Injection (精蛋白重組人胰島素注射液), a new product of The United Laboratories, obtained an approval from the State Food and Drug Administration, and came into the huge diabetes market.

Ampicillin, a bulk medicine of The United Laboratories, passed the site inspection by FDA of the United States, and officially came into the US market.

The Guangdong Provincial Clean Production Conference cum the presentation ceremony of the "Hong Kong - Guangdong Cleaner Production Partners" recognition scheme" (廣東省清潔生產工作會議暨"粵港清潔生產夥伴"標誌授牌儀式), which was jointly organized by the Economic and Information Technology Commission of Guangdong Province and the Environment Bureau of HKSAR, was held in Guangzhou. Zhuhai United Laboratories was granted as a "Hong Kong - Guangdong Cleaner Production Partner".

December 2009

The two OTC drugs of The United Laboratories, Bendazac Lysine Eye Drops (苄達賴氨酸滴眼液) and Compound Chondroitin Sulfate Eye Drops (複方硫酸軟骨素滴眼液), obtained the approval for duly production from the State Food and Drug Administration. Bendazac Lysine Eye Drops are mainly used for prevention of and cure for senile cataract, and the Compound Chondroitin Sulfate Eye Drops are mainly used for prevention of and cure for eyestrain and dry eyes. The market expects that the demand for these products will continue to grow rapidly in the coming years.

CHAIRMAN'S STATEMENT

Mr. Choy Kam Lok
Chairman

On behalf of the board of directors (the "Board") of The United Laboratories International Holdings Limited ("United Laboratories" or the "Group"), I am pleased to present to all shareholders the annual results of the Group for the year ended 31 December 2009.

CHAIRMAN'S STATEMENT

Impacts of the 2008 financial tsunami upon the whole world remained in the first half of 2009. Thanks to the national economic stimulus policies, China's economy revived rapidly in the second half of 2009. Meanwhile, in view of the rare opportunity emerged during the period of financial tsunami, the management of the Group implemented a series of measures on cost reduction, efficiency upgrade, market expansion and R&D enhancement resolutely. With all staff's great support and effort, we achieved remarkable results in 2009.

In retrospect of 2009, the Group's overall sales volume, turnover and profit all scaled new heights. During the year, the Group recorded a turnover of HK$4,643 million, an increase of 23.6% over that of last year, while its EBITDA and profit before taxation grew by 24.1% and 30.2% to approximate HK$1,120 million and HK$693 million respectively. Despite the low profit in the first half year, the Group's yearly profit broke the historical record and reached HK$541 million, representing an approximately 25.9% growth as compared to that of last year, which demonstrated that the Group was strong enough to cope with market changes and enhance its profitability. In the second half of 2009, the prices of intermediate products and bulk medicine returned to normal. The restoration of the gross profit margins to a double digit and a growth in the sales volume contributed noticeable profit to the Group. With the strong brand effect of "United Laboratories" and the increase of trained sales force for finished products up to 2,700, which helped enlarge our market coverage, the turnover and profit of finished products beat the previous records again and again.

The Group has large production bases to support its front-line sales activities, including the finished products plant in Hong Kong, the finished products plant in Zhongshan, the bulk medicine plant in Zhuhai, Kaiping Kingly Capsules plant, intermediate products plant in Chengdu, and the comprehensive integrated intermediate products plant in Inner Mongolia. These six bases, in cooperation with each other, fully carry out the comprehensive integrated production model. They will expand the production in sync with the market demand so as to lower cost, elevate efficiency and, in turn, strengthen their leading advantages in the industry. All plants have been granted the national GMP certifications and some of them have additionally obtained ISO9001 and ISO14001 certifications. Certain products even have received certifications or acceptance of FDA from the US, COS from Europe and GMP from Japan, which enable them exporting to the enormous overseas market.

The Group attaches great importance to the responsibility of corporate citizenship and the care for staff. During the year, in addition to a Caring Hospital donated in a disaster area in Sichuan, the Group continued to provide the United Laboratories medical scholarships as educational support, and made several donations for various medical researches. Besides, with the belief that our staff is our most significant asset, the Group adhered to the "no suspension, no layoff, no wage cut" policy during the spreading of financial tsunami effect in the first half year of 2009. Hence, the morale of staff was further raised, which enabled the Group to survive the unfavorable market environment successfully and deliver outstanding results.

Turning to 2010, the Group is well prepared and optimistic about the prospect. The tide of financial tsunami has been retreating. Meanwhile, with the gradual investment of the RMB850 billion in medical reform, China has promulgated The Essential Drugs (for the Fundamental Medical and Health Institutions), and strengthened its aid to rural markets. All of these will certainly boost the demand for drugs. The Group is a leading enterprise in the industry with economy of scale and vast, well-established sales network and personnel, we are confident in acquiring a larger market share which, in turn, will be reflected in the operating results.

With China's policies to push medical reform through investment, coupled with the promulgation of The Essential Drugs List (for the Fundamental Medical and Health Institutions), the market demand for intermediate products and bulk medicine is expected to increase. In addition, since a list of major products of the Group received various certifications from Europe and the US, we will see the rising export turnover with higher gross profit margin. Hence, the management believes that the average sales prices of intermediate products and bulk medicine will rally, while the gross profit margin will remain stable. At the same time, satisfactory results have been seen from the measures for cost reduction cost and efficiency enhancement proactively implemented by the Group. With the Phase II of Inner Mongolia plant put in operation and the completion of production expansion work in Zhuhai plant, the synergy for six production bases became more apparent, which further reduced our production costs.

CHAIRMAN'S STATEMENT

The financial tsunami and thrust of China's favorable policies has speeded up industry integration and the process of survival of the fittest. Being a leading player in the industry, the Group expects to benefit by a larger market share. Therefore, the management anticipates that the businesses of intermediate products and bulk medicine will have a steady growth and contribute to the operating results continuously.

The management forecasts that the sales of finished products will increase rapidly, making the largest contribution of profit on a sustainable basis. After a two-year training, the sales team has greatly enhanced its cost-effectiveness. It is believed that fruitful sales performance will be delivered from 2010 onwards. The Group will continue to strengthen the sales team's capability of development, and gradually recruit more sales personnel. Moreover, the cooperative relationship with distributors and medical institutions will be strengthened with a view to obtaining higher sales volume. The Group will incessantly capitalize on the opportunities arising from China's policies and develop its business in the communities and rural markets proactively. As such, we can seize the market share of this sector with less competition and high growth and gain profits as a market pioneer. In fact, the Group has a wide coverage in areas of western China, such as Yunnan, which have become the regions of the fastest profit growth.

For the purpose of enhancing the brand effect of "United Laboratories", the management will invest more in advertising OTC drugs. It is expected that such investment will drive up the sales volume and increase our brand recognition. The Group will build reputation on good quality and brand awareness with marketing strategies. To tie in with the advertisement, the Group has significantly expanded our drug retail network nationwide so that our OTC drugs can be reached by all consumers in every market across the country.

In addition, the Group will keep on making investments to upgrade its R&D capability so that more competitive and profitable finished products may come into market earlier. An amount of RMB300 million will be invested to establish the product line of recombinant human insulin finished products, which will be launched in the market within this year. It is known that there are more than 100 million diabetic patients in China, and there is an annual market demand for recombinant human insulin in the amount of approximately RMB4 billion with a 20-30% yearly growth. According to some evidences of scientific research, such new products have the same medical effect as those of imported human insulin, and a more competitive and attractive price and quality. Undoubtedly the products will seize certain market share quickly and become a new impetus for our profit growth.

Looking ahead, the Group is well prepared to capture the foreseeable benefits from the national medical reform and agricultural assistance policy. Coupled with the favorable brand effect upon our sales, it is sure to see Group become a top pharmaceutical brand enterprise in the world. We will further strengthen our internal management control and external sales promotion, so as to leverage myriads of opportunities brought by China's policies, market integration and new products. We expect to take this advantage to reinforce our long-term growth and achieve the most satisfactory results for shareholders.

Starting up from an industrial company many years ago, we have now developed into a pharmaceutical group running businesses under our own brand after ongoing reform and growth. It is believed that investors will soon raise their valuation on United Laboratories and our shareholders will gain returns on both operating results and share price.

I would like to express the Group's appreciation to all staff for their excellent efforts to the Group during 2009.

Choy Kam Lok
Chairman

Hong Kong, 22 March 2010

Powering Performance

with world class production equipment

MANAGEMENT DISCUSSION AND ANALYSIS

Zhuhai Sanzao Bulk Factory

BUSINESS REVIEW AND FINANCIAL RESULTS

Financial Performance

For the year ended 31 December 2009, the Group achieved excellent results and recorded a turnover of approximately HK$4,643 million, an increase of 23.6% as compared to last year. The profit attributable to shareholders was approximately HK$541 million, representing an increase of 25.9% as compared to last year. The increase in net profit for the year is mainly due to the increase in sales of intermediate and bulk medicine products and the overall gross profit margin level was kept at the same level compared with last year although the average selling price of intermediate products and bulk medicine products were decreased in the current year as compared with last year. The Group's overall gross profit margin and net profit margin had increased by 1.0% and 0.21% respectively, as compared with last year. For the year ended 31 December 2009, segmental turnover of intermediate products, bulk medicine and finished products increased by 8.8%, 31.3% and 21.9% respectively, as compared with last year.

The Group has successfully established long and stable business relationships with its customers, hospitals and distributors and expanded into rural market proactively during the year, which resulted in continuing increase in the Group's turnover and market share in the PRC markets. During the year, the overseas sales were approximately HK$1,017 million, representing an increase of 21.6% as compared with last year and contributed approximately 21.9% of the Group's total turnover. The Group has adopted a vertically integrated production operation which in turn maximized the economies of scales and enhanced the Group's profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

Ibuprofen Sustained Release Capsules

Triprolidine Hydrochloride Capsules

Business Review

The year 2009 has proved to be a challenging one. The global economic environment suffered much from the 2008 financial tsunami during the first half year with decreasing business activities. Though China has seen less impact than other markets, its economic condition remained inactive. In the second half of 2009, business activities began to increase along with the economic revival. Coupled with various measures for more income and less cost put into practice by the management of the Group, we achieved remarkable results and created added value for shareholders with both turnover and net profit breaking new records in 2009. The best results of the Group in 2009 are attributable to the management's resolute measures, all staff's effort and support as well as the following factors contributing to the growth:

Increasing demand for intermediate products and bulk medicine

During the first half of 2009, the prices of intermediate products and bulk medicine dropped continuously amid a hesitant market, which made unfavorable impact upon the Group's results for the same period. However, dawn was breaking over the global economy throughout the second half of 2009. Effects of the financial tsunami diminished while market demand for all kinds of products gradually increased. The economy restored from the adversity in the first half year. The sales volume and demand of intermediate products and bulk medicine in the second half of 2009 was higher than the first one mainly because of the increased market demand. Such increase resulted from the Essential Drugs List has promulgated lead to increase the market size, and the replenishment of raw materials by finished product manufacturers in light of decreasing inventory level. Hence, the sales volume of these two products marked new highs in 2009.

Drop in production cost due to the operation of Inner Mongolia plant at full capacity

The Group's plant in Inner Mongolia operated well in the second half year. The benefit of vertically integrated production was maximized, which enabled the further reduction of production cost and thereby enhanced our competitiveness. Through reforming the production process and putting the plant in Inner Mongolia into operation, the management of the Group upgraded the production capacity, further lowered the production cost, and made our

Foundation laying ceremony of Pengzhou United Caring Hospital

products competitive when the price was low. Even though the average prices of our intermediate products and bulk medicine decreased as compared to last year, the gross profit margins of the Group for this year maintained at the same levels as the previous year, and thus our net profit for the year scaled new height.

Our strategy to strengthen the brand effect, expand the sales network nationwide and improve the sales team

During the year, the Group speeded up the expansion of sales network nationwide, employed more sales personnel and strengthened the training program, under which our finished products captured additional market share in the communities and rural markets. As such, for the year ended 31 December 2009, the turnover of finished products reached HK$1,586 million, a 21.9% increase over that of last year. The Group's brand was further developed through more advertisements and promotional activities in order to support our product penetration and expansion in rural markets.

All these factors conduced to the outstanding results of the Group for the year.

Liquidity and Financial Resources

As at 31 December 2009, the Group had pledged bank deposits, cash and bank balances amounted to HK$481 million (2008: HK$452 million).

Paracetamol Triprolidine Hydrochloride and Pseudoephedrine Hydrochloride Tablets

Sodium Hyaluronate Eye Drops

As at 31 December 2009, the Group had interest-bearing bank borrowings of approximately HK$2,205 million (2008: HK$1,776 million), which were denominated in Hong Kong dollars and Reminbi with maturity within five years. Bank borrowings of approximately HK$139 million are fixed rate loans while the remaining balance of approximately HK$2,066 million is at floating rate. The Directors expect that all such bank borrowings will either be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations.

As at 31 December 2009, the Group had pledged the following assets to banks as securities against banking facilities granted to the Group:

	2009	2008
	HK$'000	HK$'000
Property, plant and equipment	**1,364,327**	897,499
Prepaid lease payments	**129,136**	120,942
Bills receivables	**58,371**	122,249
Pledged bank deposits	**288,645**	286,045
	1,840,479	1,426,735

Certain banking facilities are secured by the charge over all assets of certain subsidiaries of the Group. The trust receipt loans are secured by the Group's leasehold land and buildings and bank deposits.

As at 31 December 2009, current assets of the Group amounted to approximately HK$3,221 million (2008: HK$2,430 million). The Group's current ratio was approximately 0.96 as at 31 December 2009, as compared with 0.84 as at 31 December 2008. As at 31 December 2009, the Group had total assets of approximately HK$7,460 million (2008: HK$6,170 million) and total liabilities of approximately HK$4,267 million (2008: HK$3,354 million), representing a net gearing ratio (calculated as total borrowings less pledged deposits and cash and bank balances to total equity) of 54.0% as at 31 December 2009, as compared with 47.0% as at 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Ampicillin Capsules

Amoxicillin Granules

Use of Proceeds from Global Offering

On 4 June 2007, the Company issued 300,000,000 ordinary shares at an offer price of HK$2.75 per share through international placing and public offer, the net proceeds after deducting the professional fees and all related expenses were approximately HK$780,500,000. As at 31 December 2009, all proceeds had been applied in accordance with the plans disclosed in the Prospectus.

Currency Exchange Exposures

The Group's purchases and sales are mainly denominated in Renminbi, United States dollars and Hong Kong dollars. The operating expenses of the Group are mainly in Renminbi and Hong Kong dollars. The Group's treasury policy is in place to monitor and manage its exposure to fluctuation in interest rates. Besides, the Group will conduct periodic review of its exposure to foreign exchange risk and may use financial instrument for hedging purpose when considered appropriate.

Contingent Liabilities

As at 31 December 2008 and 2009, the Group had no material contingent liabilities.

Outlook for 2010

With the weakening effects of financial tsunami upon the economic activities in the second half of 2009, our management expects that such negative impact will disappear in 2010, and is optimistic about the prospect. The market demand for our products will continue to grow. Besides, in addition to RMB850 billion investments in medical reform, our country has promulgated The Essential Drugs List (for the Fundamental Medical and Health Institutions), and strengthened its aid to rural markets. All of them will certainly boost the growth of drug demand. Apart from the PRC market, the Group's products have received a number of international production certification. The management of the Group anticipates that our overseas sales will see a rise in 2010.

Piperacillin Sodium and Tazobactam Sodium for Injection

Amoxicillin Capsules

Prospect of intermediate and bulk medicine products

The financial tsunami has eliminated the weak players in the market, and our management foresees that the manufacturers of intermediate and bulk medicine products will be integrated and restructured and enterprises with competitive advantages on production costs and environmental protection will seize a larger market share. Therefore, the Group will then benefit from fewer suppliers in the market.

The management of the Group expects that both the average sales prices and gross profit margins of intermediate products and bulk medicine will remain stable in 2010. With the Phase II 6APA production line of Inner Mongolia plant gradually putting into operation and the completion of expansion construction of amoxicillin production line in Zhuhai plant, the synergy effect for six production bases will become more apparent, which will further reduce our production cost.

Prospect of finished products

After receiving the production permit for a number of new finished products developed by the Group in 2009, the Group will accelerate the launch of these new products and strengthen the promotion in order to increase the awareness of these products. Thus, our sales performance will be boosted by these products, which will be new driving forces to the Group's results in the future.

Our new, major products are detailed as follows:

1. "Uslin (優思靈)" series: Recombinant human insulin mainly for clinical use for Type I and Type II diabetes mellitus. It is usually a lifelong medicine for such kinds of patients.

2. "Bendazac Lysine Eye Drops (苄達賴氨酸滴眼液)": Eyewash mainly for preventing of and curing for senile cataract at early stage.

3. "Compound Chondroitin Sulfate Eye Drops (複方硫酸軟骨素滴眼液)": Eyewash mainly for preventing of and curing for eyestrain and dry eyes.

The Group will focus on the investment in the expansion of production line for recombinant human insulin product and put more effort at the promotion of this series of products for higher sales volume and amount. In light of more than 100 million diabetic patients in China, there is strong market demand for recombinant human insulin every year with a rapid growth year-on-year. According to a evidences of scientific research, our self-developed recombinant human insulin products have the same medical effect as such kinds of products in other countries. With our competitive and attractive price, undoubtedly the product will seize certain market share quickly and become a new growth point for the Group's results.

In 2010, the Group will adhere to allocating resources to strengthen the advertisement and promotion of its brand and OTC products for higher brand awareness and larger market share in rural markets. Our sales team has been well developed since its expansion in 2007, and become a crucial factor of market share growth. The Group will continue to enhance the training and expansion of sales personnel by recruitment so as to capture more market share and develop our business in rural markets proactively.

Loan Agreement with Covenants Relating to Specific Performance of the Controlling Shareholder

A wholly-owned subsidiary of the Company has entered into a banking facilities agreement with an aggregate facility amount of RMB355,000,000 and duration of five years. The banking facilities agreement imposes, among other matters, Mr. Choy Kam Lok ("Mr. Choy"), the controlling shareholder of the Company, to hold a minimum of 51% shareholding in the Company. As at the date of this annual report, Mr. Choy beneficially owns (directly or indirectly) 72.08% of the entire issued share capital of the Company.

Employees and Remuneration

As at 31 December 2009, the Group had approximately 9,100 (2008: 7,300) employees in Hong Kong and the PRC. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance. The Group also operates a share option scheme of which the Directors may, at its discretion, grant options to employees of the Group. No option has been granted since the adoption of the share option scheme.

New Products Pipeline

drives future growth

BIOGRAPHICAL DETAILS OF DIRECTORS & SENIOR MANAGEMENT

DIRECTORS

Executive directors

Mr. Choy Kam Lok (蔡金樂), aged 68, is an executive director and the Chairman of the Company. Mr. Choy has over 30 years of experience in the pharmaceutical manufacturing business in Hong Kong and the PRC. He was engaged in the trading of pharmaceutical products prior to the Choy Family's acquisition of United Laboratories Hong Kong in the 1990's. He was named an honorary citizen of Zhuhai City (珠海市榮譽市民) in 1998 and appointed a council member of the China Overseas Friendship Association (中華海外聯誼會理事) in 2001. Mr. Choy is responsible for the overall business planning and strategic development of the Group.

Ms. Peng Wei (彭韡), aged 46, is an executive director and the general manager of the Company. Ms. Peng graduated from the department of medicine of Xi'an Medical College (西安醫學院), PRC in 1983 and was granted a degree of EMBA from Lingnan College of the Zhongshan University (中山大學嶺南學院) in 2006. She is currently a member of the Zhuhai Municipal People's Congress (珠海市人民代表大會代表). Prior to joining the Group, Ms. Peng had worked in other pharmaceutical manufacturing enterprises in the PRC. She joined the Group in 1995. Ms. Peng has over 20 years' experience in corporate and financial management for pharmaceutical enterprises in the PRC. Ms. Peng received the "Guangdong Province Labour Model" (廣東省勞動模範稱號) award in 2000 and the "Distinguished Individual in Advanced Quality Food and Medical Industry Technology in Guangdong" (廣東省食品醫藥行業科技質量工作先進個人) award in 2005. Ms. Peng is responsible for the overall management as well as overseeing the research and development functions of the Group.

Mr. Leung Wing Hon (梁永康), aged 47, is an executive director, the Chief Financial Officer and Company Secretary of the Company. Mr. Leung is a member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Association of International Accountants and an associate of The Taxation Institute of Hong Kong. He holds a Bachelor of Accountancy degree from University of Bolton and Postgraduate Certificate in Business Administration from University of Leicester in the United Kingdom respectively. Mr. Leung had previously worked for an international accounting firm and had also held the position of accounting manager in a subsidiary of Chinney Investment Ltd., a company whose shares are listed on the Main Board of the Stock Exchange. Mr. Leung has over 15 years' experience in accounting, finance management and business administration. Mr. Leung joined the Group in 1997 and is responsible for overseeing the financial matters of the Group.

Mr. Tsoi Hoi Shan (蔡海山), aged 32, is an executive director and is responsible for planning and managing the overall production at the Hong Kong Yuen Long Plant. Mr. Tsoi is the son of Mr. Choy Kam Lok, who is an executive director and the Chairman of the Company, and the brother of Ms. Choy Siu Chit, who is a non-executive director of the Company. Mr. Tsoi joined the Group in 2000 as a supervisor of the quality control department and was responsible to supervise the production process at the Plant and ensure that it is in compliance with the Good Manufacturing Practice. Mr. Tsoi graduated from Tongji Medical University with a Bachelor degree in Medicine and a Bachelor degree in Surgery in 1998. Mr. Tsoi is one of the discretionary objects of a discretionary trust established by the settlement deed dated 7 February 2007 made between Mr. Choy Kam Lok (as settler) and DBS Trustee H.K. (Jersey) Limited (as trustee).

BIOGRAPHICAL DETAILS OF DIRECTORS & SENIOR MANAGEMENT

Non-executive director

Ms. Choy Siu Chit (蔡紹哲), aged 36, is a non-executive director. Ms. Choy joined the Group in 1990. She handled the Drug Master File submission relating to the Group's amoxicillin bulk medicine with the FDA pursuant to which the Group became the holder of Drug Master File Type II (no. DMF 15377) relating to its amoxicillin bulk medicine in 2001. Ms. Choy also holds directorship in certain subsidiaries of the Company. She is the daughter of Mr. Choy Kam Lok, an executive director and the Chairman of the Company, and the sister of Mr. Tsoi Hoi Shan, an executive director of the Company.

Independent non-executive directors

Mr. Chong Peng Oon (張品文), aged 61, was appointed as an independent non-executive director on 31 March 2009. Mr. Chong qualified as a Chartered Accountant in 1974 and has been in the accounting practice in Hong Kong for over thirty years. He has experience in auditing of companies ranging from small enterprises to large listed groups in the service and manufacturing sectors including shipping, logistics, electronics and real estate. Mr. Chong retired from the accounting practice on 1 January 2009 and now acts as a consultant specialised in cross-border business and tax consulting for companies in Hong Kong and China. He has been a member of the Foreign Experts Group for Independent Auditing Standards Committee of the Chinese Institute of Certified Public Accountants since 1998 and a Registered Accountant of the Malaysian Institute of Accountants since 1981. He was admitted as an Associate of the Institute of Chartered Accountant in England & Wales in April 1975 and has been a Fellow Member of the Institute since 1981.

Mr. Huang Bao Guang (黃寶光), aged 61, was appointed as an independent non-executive director on 25 May 2007, and is a member of the audit committee of the Company. Mr. Huang has over 30 years' experience in the PRC pharmaceutical industry. Mr. Huang graduated from the PRC Party College (中央廣東省委黨校) in Guangdong Province with tertiary education qualification in July 2002. Mr. Huang was the deputy general manager of Zhuhai Pharmaceutical Corporation (珠海市醫藥總公司) since April 1990, and was the general manager of Zhuhai Pharmaceutical Corporation (珠海市醫藥總公司) from October 1992 to October 1997. Mr. Huang was the deputy head of the Administration Bureau of Pharmaceuticals of Guangdong Province (珠海市醫藥管理局) from October 1997 to June 2001. From June 2001 to October 2004 Mr. Huang was the deputy head of the Zhuhai SFDA (珠海市藥品監管局).

Mr. Song Ming (宋敏), aged 47, was appointed as an independent non-executive Director on 25 May 2007, and is a member of the audit committee of the Company. Mr. Song completed his four-year study in applied mathematics from Zhejiang University, PRC (中國浙江大學) in 1982; his master of applied mathematics degree from Huazhong Technical College, PRC (中國華中工學院) in 1985; and his PhD from Ohio State University, United States in 1991. Mr. Song taught in the Department of Economics at Cleveland State University, United States from 1991 to 1997 and during that period, he was promoted to the position of associate professor. Since then, he has served as an Associate Professor of the School of Economics and Finance of the University of Hong Kong. He is a Director of the Centre for China Financial Research at the University of Hong Kong which was founded in 2001.

BIOGRAPHICAL DETAILS OF DIRECTORS & SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Yu Qing Ming (于清明), aged 44, is the Group's executive president. Mr. Yu graduated from the Postgraduate School of the PRC Central Party College (中共中央黨校研究生院) with a master's degree in economic management in July 2001. Mr. Yu worked in SDA as the secretary of the department head at the bureau level from 1989 to 1997. He joined the Group in 1997 and had been appointed as the deputy general manager of the sales department and manager of corporate management, and assistant to the chairman. Mr. Yu is currently the vice president of the Pharmaceutical Enterprise Management Association (中國醫藥企業管理協會) of the PRC and the vice president of the Chamber of Pharmaceutical Industry of the National Federation of Industry and Commerce of the PRC. Mr. Yu is principally responsible for relevant administrative and management tasks and the Group's sales planning and marketing in the PRC.

Ms. Zou Xian Hong (鄒鮮紅), aged 44, is the general manager of the Group's sales team. Ms. Zou graduated from the department of medicine of Nanjing Medical College (南京藥學院) in 1984 and obtained her Executive Master of Business Administration from Hunan University (湖南大學) in 2005. She has, since 2005, been a doctorate student majoring in management science and engineering at the Business School of Central Southern University (中南大學商學院). Ms. Zou has over 20 years' experience in the PRC pharmaceutical industry. Ms. Zou was employed as a teacher at the Hunan Medical Middle School (湖南省醫藥中等專業學校) from 1988 to 1993 prior to joining the Group in 1994. Since joining the Group, she has been responsible for the sales management of the Group. She was responsible for the preparation for the establishment of United Laboratories Chengdu.

Ms. Zhu Su Yan (朱蘇燕), aged 44, is the vice president of the Group and the deputy general manager of the Group's sales team in the PRC. Ms. Zhu graduated from Medical School of Southeast University in the PRC (中國東南大學醫學院) (formerly known as Nanjing Railway Medical School (南京鐵道醫學院)), PRC with a bachelor of medicine and surgery degree in 1988. She was granted a degree of Executive Master of Business Administration from Business School of Nanjing University (南京大學) in 2005. Ms. Zhu worked in Nanjing Gulou Hospital (南京鼓樓醫院) as a neurosurgeon from 1988 to 1993, and served as an academic marketing representative with Pfizer in the Jiangsu region for one year in 1994. She joined the Group in early 1995 and has served as regional manager of Jiangsu, manager of national hospital development department and the deputy general manger of the PRC sales team etc. Ms. Zhu has extensive experience in the sales and marketing of pharmaceutical products in the PRC and is principally responsible for the sales and marketing of the Group's products in the PRC.

Mr. Tang Bin Xi (唐彬喜), aged 42, is the factory manager of the Group's production plant in Zhuhai. Mr. Tang graduated from the chemical engineering department of Tianjin University (天津大學) in 1990. He was employed by Shenzhen Haibin Pharmaceutical (深圳海濱製藥有限公司) from 1990 to 1995. He joined the Group in 1995. Mr. Tang had worked as technician, workshop supervisor, manager of production department and assistant factory manager before being promoted to head of the Group's production plant in Zhuhai in September 2003. He is primarily responsible for the overall management and operation of the Group's production plant in Zhuhai.

BIOGRAPHICAL DETAILS OF DIRECTORS & SENIOR MANAGEMENT

Mr. Wu Shou Ting (吳守廷), aged 42, is head of the Group's production plant in Zhongshan. Mr. Wu graduated from Jiangxi College of Chinese Medicine (江西中醫學院) in 1990 and graduated from the Advance Level Research Class, Selected Course of the MBA for Managers in Office (在職經理工商管理碩士精選課程高級研修班) of Zhongshan University (中山大學) in 2002. Mr. Wu was employed by Yufeng Pharmaceutical, Nanchang City, Jiangxi Province (裕豐製藥廠) for approximately three years before joining the Group in 1996. He had worked as supervisor of the powder injection workshop and manager of the production department at the Group's production plant in Zhongshan before being promoted to factory manager in September 2003. Mr. Wu is primarily responsible for the overall management and operation of the Group's production plant in Zhongshan.

REPORT OF THE DIRECTORS

The Board is pleased to submit their report together with the audited consolidated financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

Details of principal activities of the subsidiaries of the Company are set out in Note 36 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover, income and segment information for the year ended 31 December 2009 is set out in Note 8 to the consolidated financial statements.

RESULTS AND DISTRIBUTIONS

The Group's results for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 35 of this annual report.

The Board proposed a final dividend of HK19 cents per share for the year ended 31 December 2009.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 18 May 2010 to 20 May 2010 (both days inclusive), during which period no transfer of shares will be registered.

In order to qualify for the proposed 2009 final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 17 May 2010.

The dividend warrants are expected to be dispatched to shareholders on about 26 May 2010.

FINANCIAL SUMMARY

A summary of the Group's results, and of the assets and liabilities for the past five financial years are set out on page 98 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 17 to the consolidated financial statements.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of movements and reasons of the movements in the share capital of the Company during the year and as at the date of this report are set out in Note 29 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

In accordance with the Companies Law, Chapter 22 (as revised) of the Cayman Islands, and the Company's articles of association, the Company may distribute its share premium to shareholders in the forms of dividend or fully paid bonus shares, provided that immediately following the distribution or payment of dividend, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

As at the balance sheet date, the Directors were of the opinion that the distributable share premium and reserves of the Company was approximately HK$1,394.5 million.

Details of movements in the share premium and reserves of the Group during the year are set out in consolidated statement of changes in equity on pages 38 and 39 of this annual report.

SHARE OPTION SCHEME

The Company has adopted a Share Option Scheme. The terms of the Share Option Scheme are summarized in Note 30 to the consolidated financial statements.

No options has been submitted and/or granted under the Scheme since its adoption.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

In 2009, the aggregate purchases and sales attributable to the Group's five largest suppliers and five largest customers accounted for less than 30% of the Group's total purchases and sales respectively for the year.

None of the directors or chief executive or any of their associates or any shareholder (which, to the knowledge of the directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers and suppliers.

USE OF PROCEEDS FROM THE INTERNATIONAL PLACING

On 4 June 2007, the Company issued 300,000,000 ordinary shares at an offer price of HK$2.75 through international placing and public offer, the net proceeds after deducting professional fees and all related expenses were approximately HK$780,500,000.

As at 31 December 2009, all proceeds has been applied in accordance with the plans disclosed in the Company's Prospectus.

DIRECTORS

The directors of the Company during the year ended 31 December 2009 and up to the date of this report were as follows:

Executive Directors

Mr. Choy Kam Lok *(Chairman)*
Ms. Peng Wei *(General Manager)*
Mr. Leung Wing Hon
Mr. Tsoi Hoi Shan (appointed on 3 April 2009)

Non-Executive Directors

Ms. Choy Siu Chit

Independent Non-Executive Directors

Mr. Chong Peng Oon (appointed on 31 March 2009)
Mr. Huang Bao Guang
Mr. Song Ming
Mr. Heng Kwoo Seng (resigned on 28 February 2009)

In accordance with article 87 of the Company's articles of association, Mr. Leung Wing Hon, Mr. Huang Bao Guang and Mr. Song Ming will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Biographical details of directors of the Company are set out on pages 18 and 19 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Choy Kam Lok, Ms. Peng Wei and Mr. Leung Wing Hon has entered into a service contract dated 25 May 2007 with the Company under which each of them agreed to act as an executive director of the Company for a period of three years unless terminated in accordance with the terms of the service contracts. Under these service contracts, the initial annual salary payable by the Company to Mr. Choy Kam Lok is approximately HK$1,800,000 and to each of Ms. Peng Wei and Mr. Leung Wing Hon is approximately HK$1,200,000 and is subject to review at the discretion of the Board and the remuneration committee after completion of 12 months of service. Each of the executive directors will also be entitled to a discretionary bonus as decided by the Board and the remuneration committee.

Mr. Tsoi Hoi Shan has entered into a service contract dated 1 April 2009 with the Company under which he was appointed from 3 April 2009 for a maximum period of three years. Pursuant to the Company's articles of association, he shall retire and, subject to his consent and on such terms as Mr. Tsoi and the Company may agree, offer himself for re-election at the next annual general meeting of the Company in 2009. Mr. Tsoi's subsequent appointment shall also be subject to his re-election following retirement by rotation at any subsequent annual general meeting of the Company in accordance with the articles of association of the Company. The amount of Mr. Tsoi's basic emolument as an executive director is HK$960,000 per annum.

The annual basic emolument of Mr. Choy Kam Lok, Ms. Peng Wei, Mr. Leung Wing Hon and Mr. Tsoi Hoi Shan has been increased to HK$4,800,000, HK$3,600,000, HK$3,600,000 and HK$1,800,000 respectively with effect from 1 January 2010. With effect from 1 January 2010, Ms. Peng Wei is also entitled to a monthly performance bonus not exceeding RMB50,000 as determined by the executive Directors of the Company with reference to performance of the Group.

The amount of the annual salary increment and the bonus payable under such service contracts for executive directors is at the discretion of the Board and the remuneration committee of the Company, provided that the respective parties to such service contracts shall abstain from voting and not be counted in the quorum in respect of any such determination of the Board in relation to him or her.

Ms. Choy Siu Chit has entered into a letter of appointment dated 25 May 2007 with the Company under which she has agreed to act as a non-executive director for a period of one year and will continue thereafter subject to a maximum of three years unless terminated in accordance with the terms of the letter of appointment. Pursuant to the above letter of appointment, Ms. Choy is entitled to an annual director's fee of HK$960,000. With effect from 1 January 2010, Ms. Choy Siu Chit is entitled to an annual emolument of HK$840,000 for her service as directors of certain subsidiaries of the Group.

Each of Mr. Chong Peng Oon, Mr. Huang Bao Guang and Mr. Song Ming has signed a letter of appointment with the Company under which they agreed to act as independent non-executive directors for a period of one year and will continue thereafter subject to a maximum of three years unless terminated in accordance with the terms of the appointment letters. The initial annual director's fee for each of the above three independent non-executive directors is HK$180,000. With effect from 1 January 2010, the annual director's fee for each of the above independent non-executive directors has been increased to HK$240,000.

Save as disclosed in this annual report, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the employer within year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACT

No contracts concerning the management or administration of the whole or any substantial part of the business were entered into or in existence during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS AND CONTRACTS

None of the directors have any interests in a business which competes with the business of the Group. Furthermore, no contracts of significance in relation to the Group's business in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2009, the directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"):

Long positions in the ordinary shares of the Company:

Name of director	**Company/Name of associated corporation**	**Number of shares**	*Notes*	**Capacity**	**Percentage of interest**
Mr. Choy Kam Lok	Company	865,000,000	(1)	Founder of a trust	72.08%
Mr. Choy Kam Lok	Gesell Holdings Limited	855,000,000	(2)	Founder of a trust	71.25%
Mr. Choy Kam Lok	Heren Far East Limited	855,000,000	(3)	Founder of a trust	71.25%
Ms. Peng Wei	Company	1,216,000		Personal interest	0.10%
Mr. Leung Wing Hon	Company	30,000		Personal interest	0.01%
Ms. Choy Siu Chit	Company	100,000		Personal interest	0.01%
Mr. Song Ming	Company	100,000		Personal interest	0.01%

Note:

(1) Mr. Choy Kam Lok ("Mr. Choy") is the founder of The Choy Family Trust, which is a discretionary trust and whose discretionary objects include the non-executive director of the Company, Ms. Choy Siu Chit and certain other family members of Mr. Choy (but excluding Mr. Choy himself). For the purpose Part XV of the SFO, Mr. Choy is deemed or taken to be interested in the entire issued share capital of Gesell Holdings Limited ("Gesell") and Heren Far East Limited ("Heren") which form part of the property of The Choy Family Trust. Mr. Choy is therefore deemed and taken to be interested in the 855,000,000 shares of the Company beneficially owned by Heren for the purpose of the SFO. In additions, Mr. Choy personally holds 10,000,000 shares of the Company.

(2) Mr. Choy is the founder of The Choy Family Trust and is deemed or taken to be interested in the entire issued share capital of Gesell which forms part of the property of The Choy Family Trust for the purpose of the SFO.

(3) Mr. Choy is the founder of The Choy Family Trust and is deemed or taken to be interested in the entire issued share capital of Heren which forms part of the property of The Choy Family Trust for the purpose of the SFO.

Save as disclosed above, none of the directors, chief executive and their associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

During the year, the Company did not grant any rights to any directors, chief executive and their respective spouse or children under 18 of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company, and none of the above persons have exercised the said rights during the year. The Company, its holding company or any of its subsidiaries were not a party to any arrangements to enable the directors to acquire such benefits in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the following shareholders, other than the directors or chief executive of the Company, were recorded in the register required to be kept by the Company under Section 336 of the SFO as being interested (including short positions) in the shares or underlying shares of the Company:

Long position in the ordinary shares of the Company:

Name	*Notes*	**Capacity**	**Number of shares held**	**Percentage of Interest**
Heren		Beneficial owner	855,000,000	71.25%
Gesell	*(1)*	Interest in a controlled corporation	855,000,000	71.25%
DBS Trustee H.K. (Jersey) Limited	*(2)*	Trustee	855,000,000	71.25%

Note:

(1) Gesell is interested in the entire issued share capital of Heren and is deemed or taken to be interested in the 855,000,000 shares of the Company beneficially owned by Heren for the purpose of Part XV of the SFO.

(2) DBS Trustee H.K. (Jersey) Limited is the trustee of The Choy Family Trust and is deemed to be interested in the 855,000,000 shares of the Company which The Choy Family Trust is interested through Heren and Gesell for the purpose of Part XV of the SFO.

Save as disclosed above, no other person being recorded in the register required to be kept by the Company under Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 31 December 2009.

CORPORATE GOVERNANCE

The Company is dedicated to maintaining a high standard of corporate governance. Information regarding the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 29 to 32 of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this annual report, there is sufficient public float as required under the Listing Rules.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Peng Wei
Executive Director and General Manager

Hong Kong, 22 March 2010

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is of the view that best corporate governance is crucial to safeguard the interests of shareholders and to enhance the Group's performance. The Board is dedicated to maintaining and ensuring a high standard of corporate governance. For the year ended 31 December 2009, the Company has adopted the principles prescribed in the Code on Corporate Governance Practices ("Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and has complied with all applicable code provisions.

THE BOARD

The Board comprises four executive directors, one non-executive director and three independent non-executive directors. The biographical details and the relationships of the members of the Board have been set out in the "Biographical Details of Directors and Senior Management" on pages 18 to 21. The Board has established two Board committees namely Audit Committee and Remuneration Committee. The attendance rates of individual directors at board meetings and other meetings of board committees are set out below. The duties of the Board and the Board committees are outlined in the later part of this report.

	Board	Audit Committee	Remuneration Committee
Executive Directors			
Mr. Choy Kam Lok	4/4	N/A	N/A
Ms. Peng Wei	4/4	N/A	N/A
Mr. Leung Wing Hon	4/4	N/A	N/A
Mr. Tsoi Hoi Shan	4/4	N/A	N/A
Non-executive Director			
Ms. Choy Siu Chit	4/4	N/A	N/A
Independent Non-executive Directors			
Mr. Chong Peng Oon	4/4	2/2	1/1
Mr. Huang Bao Guang	4/4	2/2	1/1
Mr. Song Ming	4/4	2/2	1/1
Mr. Heng Kwoo Seng (resigned on 28 February 2009)	0/0	0/0	0/0

The Board is responsible for setting the Group's objectives and strategies as well as to monitor the Group's performance. The Board also approves matters like annual and interim results, major transactions, appointment of directors, dividend and accounting policies and scrutinizes internal control procedures of the Group's operations. The Board has delegated the responsibility and authority of day-to-day operations to the management team.

All directors are provided with updated information in relation to governance and control matters regularly. The directors may seek independent professional advice according to prescribed procedures in order to assist them to discharge their duties at the expenses of the Company.

Four regular board meetings were held by the Board during the year. At least 14 days notices are given to all directors for all regular board meetings. Directors can include matters to be discussed in the agenda if necessary. Agenda of regular board meetings accompanied with board papers are dispatched to all directors within a reasonable time before the date of meeting. All draft minutes of the Board are circulated to all directors within a reasonable time for comments before being confirmed.

Minutes of the Board and Board committees are kept by the secretary duly appointed at such meetings. All directors are entitled to inspect the board papers and relevant information and to access to sufficient information on a timely basis so as to enable the Board to make informed decisions on matters to be brought before meetings.

CHAIRMAN AND GENERAL MANAGER

The information of Mr. Choy Kam Lok, the Chairman, and Ms. Peng Wei, the General Manager, are set out in the Biographical Details of Directors and Senior Management. During this financial year, the roles of the Chairman and the General Manager were separated to enhance the accountability of each individual.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board currently has four non-executive director, including three independent non-executive directors. Among the three independent non-executive directors, one of them possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. All the non-executive director of the Company are appointed for a fixed term subject to retirement and re-appointment pursuant to the Company's articles of association.

Each of the independent non-executive directors has submitted a confirmation of his independence as required by Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive directors to be independent and that each of them satisfies the guidelines of independence set out in Rule 3.13 of the Listing Rules.

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of an individual to act as a Director, and approving and terminating the appointment of a Director. The Company has not established a nomination committee. The Company currently does not have any plans to set up a nomination committee in view of the small size of the Board.

The Chairman is responsible for identifying suitable candidates for member of the Board when there is a vacancy or an additional director is considered necessary. The Chairman proposes the appointment of such candidates to each member of the Board for consideration. Each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his or her qualifications, experiences and background.

REMUNERATION COMMITTEE

The Company has established a remuneration committee to ensure that there are formal and transparent procedures to follow when determining the remuneration policies of directors and senior management. The members of remuneration committee comprises of three independent non-executive directors, namely Mr. Chong Peng Oon, Mr. Huang Bao Guang and Mr. Song Ming. Mr. Chong Peng Oon is the chairman of the remuneration committee.

The remuneration committee held one meeting during the year. It made recommendations with regard to the Group's overall remuneration policies as well as undertook a review of the remuneration and benefits of directors and senior management. The remuneration committee ensures that no director is involved in determining his/her own emoluments. The terms of reference of the remuneration committee are consistent with the relevant provisions set out in the Corporate Governance Code. The terms of reference of the remuneration committee are posted on the Company's website.

AUDIT COMMITTEE

The audit committee comprises of three independent non-executive directors, namely Mr. Chong Peng Oon, Mr. Huang Bao Guang and Mr. Song Ming. Mr. Chong Peng Oon is the chairman of the audit committee.

The major duties of the audit committee include reviewing and monitoring the financial reporting system and internal control procedures of the Group. The audit committee held two meetings during the year. It reviewed the Group's financial reporting matters, and reviewed the internal control systems in relation to finance and accounting and submitted improvement proposals to the Board. The terms of reference of the audit committee are consistent with the relevant provisions set out in the Corporate Governance Code. The terms of reference of the audit committee are posted on the Company's website.

The Company has complied with Rule 3.21 of the Listing Rules throughout the year ended 31 December 2009 except for the period from 28 February 2009 to 30 March 2009. Following the resignation of Mr. Heng Kwoo Seng on 28 February 2009, the Company has only two audit committee members, the number of which falls below the minimum number required under Rule 3.21 of the Listing Rules. With effect from 31 March 2009, Mr. Chong Peng Oon was appointed as a member of the audit committee to fill the casual vacancy and the Company has complied with Rule 3.21 of the Listing Rules thereafter.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct for director's securities transactions. Having made specific enquiry, all directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2009.

To comply with code provision A.5.4 of the Corporate Governance Code, the Company has already established and adopted standard code for the code of conduct for relevant employees' securities transactions to regulate certain employees of the Group who are deemed to be in possession of unpublished price sensitive information of the Company when dealing in the securities of the Company.

ACCOUNTABILITY AND INTERNAL CONTROL

The Board acknowledges its responsibility for preparing the Group's financial statements. As at 31 December 2009, within the knowledge of the directors, there was no material event or condition that may cast significant doubt upon the Group's ability to continue as a going concern.

In the year under review, the Board considers the systems of internal control of the Company are sufficient and effective, hence the Company has complied with the code provisions relevant to the internal control in the Corporate Governance Code.

AUDITOR'S REMUNERATION

For the year ended 31 December 2009, the auditor of the Company provided audit and non-audit services for the Company and the Group.

The service fees for audit and non-audit service in 2009 amounted to HK$3,300,000 and HK$1,200,000 respectively.

On behalf of the Board

Choy Kam Lok
Chairman

Hong Kong, 22 March 2010

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF
THE UNITED LABORATORIES INTERNATIONAL HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of The United Laboratories International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 97, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standard require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	8	**4,643,177**	3,755,856
Cost of sales		**(2,829,159)**	(2,326,256)
Gross profit		**1,814,018**	1,429,600
Other income	9	**22,573**	63,038
Other gains and losses	10	**(274)**	(6,781)
Selling and distribution expenses		**(718,022)**	(554,479)
Administrative expenses		**(291,582)**	(240,780)
Other expenses		**(44,853)**	(40,887)
Finance costs	11	**(88,490)**	(117,181)
Profit before taxation		**693,370**	532,530
Taxation	13	**(151,927)**	(102,361)
Profit for the year attributable to owners of the Company	14	**541,443**	430,169
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**15,089**	137,794
Total comprehensive income for the year attributable to owners of the Company		**556,532**	567,963
Basic earnings per share (HK cents)	16	**45.1**	35.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	17	**3,988,044**	3,466,393
Prepaid lease payments	18	**127,833**	131,921
Goodwill	19	**3,437**	3,428
Intangible assets	20	**5,450**	3,935
Deposit for leasehold land		**3,409**	–
Deposits for acquisition of property, plant and machinery		**92,541**	128,319
Available-for-sale investment	21	**–**	–
Deferred tax asset	28	**18,580**	6,249
		4,239,294	3,740,245
Current assets			
Inventories	22	**884,723**	773,991
Trade and bills receivables, deposits and prepayments	23	**1,851,785**	1,198,190
Derivative financial instrument	24	**–**	3,240
Prepaid lease payments	18	**3,060**	3,073
Pledged bank deposits	25	**288,645**	286,045
Bank balances and cash	25	**192,489**	165,474
		3,220,702	2,430,013
Current liabilities			
Trade and bills payables and accrued charges	26	**1,924,104**	1,509,928
Tax payables		**68,697**	32,836
Borrowings	27	**1,347,365**	1,350,850
		3,340,166	2,893,614
Net current liabilities		**(119,464)**	(463,601)
Total assets less current liabilities		**4,119,830**	3,276,644
Non-current liabilities			
Borrowings	27	**857,919**	424,692
Deferred tax liabilities	28	**68,884**	35,457
		926,803	460,149
		3,193,027	2,816,495

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Capital and reserves			
Share capital	*29*	**12,000**	12,000
Reserves		**3,181,027**	2,804,495
Equity attributable to owners of the Company		**3,193,027**	2,816,495

The consolidated financial statements on pages 35 to 97 were approved and authorised for issue by the Board of Directors on 22 March 2010 and are signed on its behalf by:

CHOY KAM LOK
DIRECTOR

LEUNG WING HON
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the Company						
	Share capital	Share premium	Special reserve	Capital reserve	Foreign exchange reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	12,000	768,901	286,032	245,967	191,146	948,486	2,452,532
Changes in equity during the year:							
Exchange differences arising on translation to presentation currency	–	–	–	–	137,794	–	137,794
Profit for the year	–	–	–	–	–	430,169	430,169
Total comprehensive income for the year	–	–	–	–	137,794	430,169	567,963
Transferred to capital reserve	–	–	–	21,125	–	(21,125)	–
Dividend	–	–	–	–	–	(204,000)	(204,000)
At 31 December 2008	12,000	768,901	286,032	267,092	328,940	1,153,530	2,816,495
Changes in equity during the year:							
Exchange differences arising on translation to presentation currency	**–**	**–**	**–**	**–**	**15,089**	**–**	**15,089**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**541,443**	**541,443**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**15,089**	**541,443**	**556,532**
Dividend	**–**	**–**	**–**	**–**	**–**	**(180,000)**	**(180,000)**
At 31 December 2009	**12,000**	**768,901**	**286,032**	**267,092**	**344,029**	**1,514,973**	**3,193,027**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

Capital reserve represents the People's Republic of China (the "PRC") statutory reserve provided before declaring dividends to their shareholders as approved by the board of directors in accordance with the PRC regulations applicable to the Company's PRC subsidiaries until the fund reaches 50% of the registered capital of the respective subsidiaries.

Included in special reserve is an amount of HK$208,792,000 which represents the portion of registered capital of two PRC subsidiaries contributed by certain beneficial owners of the Company. The remaining amount of HK$77,240,000 represents the difference between the carrying amount of the minority interests acquired and the fair value of considerations paid for purchase of additional interests in subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Operating activities		
Profit before taxation	**693,370**	532,530
Adjustments for:		
Provision of (reversal of) allowance for inventories	**2,429**	(6,895)
Provision of (reversal of) allowance for doubtful debts	**1,264**	(12,650)
Amortisation of intangible assets	**1,859**	1,843
Amortisation of prepaid lease payments	**3,421**	3,073
Depreciation of property, plant and equipment	**333,238**	248,249
Finance costs	**88,490**	117,181
Bank interest income	**(3,588)**	(9,594)
Net (gain) loss on disposal of property, plant and equipment	**(576)**	3,906
Fair value change on derivative financial instrument	**3,240**	(3,240)
Operating cash flows before movements in working capital	**1,123,147**	874,403
Increase in inventories	**(109,923)**	(177,076)
Increase in trade and bills receivables, deposits and prepayments	**(649,388)**	(219,921)
Increase in trade and bills payables and accrued charges	**473,030**	409,392
Cash generated from operations	**836,866**	886,798
Tax paid	**(95,046)**	(58,168)
Net cash from operating activities	**741,820**	828,630
Investing activities		
Payments for purchase of property, plant and equipment	**(850,284)**	(1,125,523)
Payment for deposit of leasehold land	**(3,409)**	–
Proceeds on disposal of property, plant and equipment	**766**	3,238
Decrease (increase) in prepaid lease payments	**1,192**	(30,790)
Acquisition of intangible assets	**(3,354)**	(133)
(Increase) decrease in pledged bank deposits	**(1,032)**	82,446
Interest received	**3,588**	9,594
Net cash used in investing activities	**(852,533)**	(1,061,168)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Financing activities		
Dividend paid	**(180,000)**	(204,000)
Interest paid	**(105,770)**	(117,181)
New borrowings other than trust receipt loans raised	**1,573,182**	1,531,189
Repayment of borrowings other than trust receipt loans	**(1,147,512)**	(1,215,384)
Decrease in trust receipt loans, net	**(369)**	(1,873)
Net cash from (used in) financing activities	**139,531**	(7,249)
Net increase (decrease) in cash and cash equivalents	**28,818**	(239,787)
Effect of foreign exchange rate changes	**1,159**	1,088
Cash and cash equivalents at beginning of the year	**162,512**	401,211
Cash and cash equivalents at end of the year	**192,489**	162,512
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**192,489**	165,474
Bank overdraft, secured	**–**	(2,962)
	192,489	162,512

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands. The Company's parent company is Heren Far East Limited, a company incorporated in the British Virgin Islands and its ultimate holding company is Gesell Holdings Limited, a company incorporated in the British Virgin Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its place of business is located at 6 Fuk Wang Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong.

The Company acts as an investment holdings company. The principal activities of its subsidiaries are set out in note 36.

The functional currency of the Company and its subsidiaries (the "Group") in the People's Republic of China (the "PRC") is Renminbi ("RMB"). The consolidated financial statements of the Group are presented in Hong Kong dollars because the Company is a public company with the shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and a majority of its investors are based in Hong Kong and therefore, the directors consider that Hong Kong dollar is a preferred currency to be used in presenting the operating results and financial position of the Group.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2009, the Group had net current liabilities of HK$119,464,000 which included borrowings of HK$1,347,365,000. The directors of the Company believe the existing revolving bank borrowings of HK$542,535,000 included in current liabilities at the end of the reporting period could be successfully renewed on renewal date. In addition, the Group had undrawn borrowing facilities of HK$556,738,000 at 31 December 2009 which will be subject to review in year of 2010. The directors of the Company are of the opinion that there is a good track record and relationship with banks which enhance the Group's ability to renew the borrowing facilities upon expiry.

Taking into account of the presently available banking facilities and internally generated funds of the Group, the directors of the Company are of the view that the Group has sufficient working capital for its present requirements for the next twelve months from the end of the reporting period and accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the current accounting period.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

The adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting years.

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

HKAS 1 (Revised 2007) has introduced terminology changes, including revised titles for the consolidated financial statements, and changes the format and content of the consolidated financial statements. The Group has applied changes to its accounting policies of borrowing costs. However, the changes to its accounting policies have no impact on the consolidated statement of financial position as at 1 January 2008 and accordingly such statement is not presented.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 8 "Operating Segments"

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 "Segment Reporting" (see note 8).

HKAS 23 (Revised 2007) "Borrowing Costs"

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

In the current year, borrowing costs of HK$17,280,000 were capitalised as part of the cost of property, plant and equipment. The profit for the year ended 31 December 2009 has therefore been increased by HK$17,280,000. The effect of the change in accounting policy has resulted the Group's basic earnings per share for the year ended 31 December 2009 from HK43.7 cents to HK45.1 cents.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 9	Financial Instruments[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

[3] Effective for annual periods beginning on or after 1 January 2010

[4] Effective for annual periods beginning on or after 1 February 2010

[5] Effective for annual periods beginning on or after 1 July 2010

[6] Effective for annual periods beginning on or after 1 January 2011

[7] Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses between group enterprises are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the establishment of the subsidiaries and the minority's share of changes in equity since the date of the establishment. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on the acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is initially recognised and presented separately in the consolidated statement of financial position as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Impairment testing on capitalised goodwill

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the consolidation. Cash-generating units to which goodwill has been allocated are tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purpose other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Buildings	Over the shorter of the lease term or the operation period of the relevant company of 50 years
Plant and machinery	5% – 20%
Furniture, fixtures and equipment	20% – 25%
Motor vehicles	20% – 25%

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Prepaid lease payments

Prepaid lease payments are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The costs of prepaid lease payments are amortised on a straight-line basis over the shorter of the relevant lease/land use right or the operation period of the relevant company.

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to the present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The accounting policies adopted in respect of which are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Interest income is recognised on an effective interest basis.

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated its unlisted equity security as available-for-sale financial assets. For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For certain categories of financial asset, such as trade and bill receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when these is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bill receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debt is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments are measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset and will not be reversed in profit or loss in subsequent period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Financial liabilities (including trade and bills payables, and borrowings) are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds receivable net of direct issued costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policies in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1 January 2009, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the foreign exchange reserve).

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme or state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. As at 31 December 2009, the carrying amount of property, plant and equipment is HK$3,988,044,000 (2008: HK$3,466,393,000).

Estimated allowance for doubtful receivables

The Group makes allowances for doubtful debts based on an assessment of the recoverability of trade and bills receivables. Allowances are applied to trade and bills receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables requires the use of estimation of future cash flows. Where the expectation on the recoverability of trade and bills receivables is different from the original estimate, such difference will impact carrying value of trade and bills receivables and allowance for doubtful debts in the year in which such estimate has changed. As at 31 December 2009, the carrying amount of trade and bills receivables are HK$1,668,783,000 (2008: HK$1,091,192,000), net of allowance for doubtful debts of HK$22,214,000 (2008: HK$20,851,000).

Estimated allowance for write-down of inventories to net realisable value

The Group makes allowance for write-down of inventories based on assessment of the net realisable value of existing inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of estimation of the net realisable value and estimates on the conditions and usefulness of the inventories. Where the expectation on the net realisable value is lower than the cost, an impairment may arise. As at 31 December 2009, the carrying amount of inventories is HK$884,723,000 (2008: HK$773,991,000).

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to maintain a balance between continuity of funding of cash flows from operating activities and the flexibility through the use of the finance from banks. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 27, net of bank balances, and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the associated risk, and take appropriate actions to adjust the Group's capital structure.

The management of the Group monitors the utilisation of borrowings and ensures full compliance with loan covenants during the year and as at the end of the reporting period.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2009	2008
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including trade and bills receivables, pledged bank deposits and bank balances and cash)	**2,149,917**	1,542,711
Available-for-sale-investment	**–**	–
Derivative financial instrument	**–**	3,240
Financial liabilities		
Amortised cost	**4,018,308**	3,246,395

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and polices

The Group's major financial instruments include trade and bills receivables, pledged bank deposits, bank balances and cash, trade and bills payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The risk arising from the Group's financial instruments are mainly market risk (foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The directors review policies for managing each of these risks and they are summarised below.

Market risk

Foreign currency risk

The Group has trade receivables, pledged bank deposits and bank balances denominated in United States dollars and bills payable denominated in Euro, which expose the Group to foreign currency risks. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The carrying amounts of the Group's monetary assets (liabilities) denominated in foreign currency, i.e. currency other than the functional currency of the respective group entities at the end of the reporting period are as follows:

	2009 **HK$'000**	2008 HK$'000
United States dollars	**237,055**	149,086
Euro	**–**	(45,456)

7. FINANCIAL INSTRUMENTS *(Continued)*

Market risk *(Continued)*

Foreign currency risk *(Continued)*

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% (2008: 5%) increase and decrease in Renminbi, the functional currency of the respective group entities operating in the PRC, against United States dollars and Euro. 5% is the sensitivity rate used which represents management's assessment of the possible change in foreign currency rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for 5% change in foreign currency rates. A (negative) positive number below indicates a (decrease) increase in profit for the year where Renminbi strengthens 5% against United States dollars and Euro. For a 5% weakening of Renminbi against United States dollars and Euro, there would be an equal but opposite impact on the profit for the year.

	2009	2008
	HK$'000	HK$'000
United States dollars		
Profit for the year	**(10,075)**	(6,331)
Euro		
Profit for the year	–	1,932

Fair value and cash flow interest rate risk

The Group has significant borrowings which bear interest-rate risk. Floating rate borrowings expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risk. The directors of the Company consider the Group's exposure of cash flow interest rate risk on bank deposits are not significant as most deposits bear variable interest rates and they are not sensitive to fluctuation in interest rate.

7. FINANCIAL INSTRUMENTS *(Continued)*

Market risk *(Continued)*

Fair value and cash flow interest rate risk *(Continued)*

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the borrowings at the end of the reporting period. The analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 200 basis point increase and decrease is used which represents management's assessment of the reasonably possible change in interest rate.

At the end of the reporting period, if interest rates had been increased/decreased by 200 (2008: 200) basis points and all other variables were held constant, the Group's profit for the year would decrease/increase by HK$24,862,000 for the year ended 31 December 2009 (2008: HK$16,903,000).

Other price risk

During the year ended 31 December 2008, the Group had entered into a foreign currency forward contract with a bank to reduce its exposure to currency fluctuation risk of payments for purchase of property, plant and equipment which was denominated in Euro. The derivative was not accounted for under hedge accounting. The Group was required to estimate the fair value of the foreign currency forward contract at the end of the reporting period, which therefore exposed the Group to other price risk.

Forward exchange rate sensitivity analysis

The sensitivity analyses below had been determined based on the exposure to the Group's forward buying rate risk at the end of the reporting period. If the forward exchange rate of Hong Kong dollars against Euro had been 5% higher while all other input variables of the valuation models were held constant, the Group's profit for the year ended 31 December 2008 would increase by HK$1,521,000. If the forward exchange rate had been lower by 5%, the Group's profit for the year would have decreased by HK$2,068,000.

Credit risk

As at 31 December 2009, the Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

7. FINANCIAL INSTRUMENTS *(Continued)*

Credit risk *(Continued)*

Before accepting any new customer, the Group carries out research on the credit risk of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank deposits is less because the directors of the Company consider that counterparties are financially sound.

Other than concentration of credit risk on bank deposits in which the counterparties are financially sound, the Group has no significant concentration of credit risk on trade and bills receivables, with exposure spread over a number of counterparties. There is no customer who represents more than 5% of the total balance of trade receivables at the end of the reporting period.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the management has evaluated all the relevant facts available to them and is of the opinion that there are good track records and relationship with banks which would enhance the Group's ability on renewing the bank loans upon expiry during 2010 and securing adequate banking facilities within the limit approved by banks. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

As at 31 December 2009, the Group has net current liabilities of approximately HK$119,464,000 (2008: HK$463,601,000) and the Group has managed those liquidity risk as disclosed in note 2.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the relevant market rates current at the reporting date) of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

7. FINANCIAL INSTRUMENTS *(Continued)*

Liquidity risk *(Continued)*

	0-60 days HK$'000	61-90 days HK$'000	91-180 days HK$'000	181-365 days HK$'000	1-2 years HK$'000	2-3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2009									
Non-interest bearing									
Trade, bills and other payables	**812,661**	**924,031**	**76,332**	**–**	**–**	**–**	**–**	**1,813,024**	**1,813,024**
Interest bearing instruments									
Borrowings									
– fixed rate	**99,370**	**–**	**–**	**41,312**	**–**	**–**	**–**	**140,682**	**138,616**
– variable rate	**279,613**	**123,281**	**615,665**	**247,073**	**675,506**	**165,029**	**54,503**	**2,160,670**	**2,066,668**
	1,191,644	**1,047,312**	**691,997**	**288,385**	**675,506**	**165,029**	**54,503**	**4,114,376**	**4,018,308**
As at 31 December 2008									
Non-interest bearing									
Trade, bills and other payables	724,960	484,019	261,874	–	–	–	–	1,470,853	1,470,853
Interest bearing instruments									
Borrowing									
– fixed rate	90,238	983	31,290	135,186	–	–	–	257,697	245,427
– variable rate	203,588	250,769	253,837	228,087	181,985	438,910	133,694	1,690,870	1,530,115
	1,018,786	735,771	547,001	363,273	181,985	438,910	133,694	3,419,420	3,246,395

Fair value

The fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions for similar instruments.

The fair value of derivative instruments are measured using quoted forward rates and discounted using applicable yield for the duration of the instruments.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

8. TURNOVER AND SEGMENT INFORMATION

Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less discounts and sales related taxes.

	2009	2008
	HK$'000	HK$'000
Sales of pharmaceutical products	**4,643,177**	3,755,856

Segment information

The Group is currently organised into three revenue streams – (i) sale of intermediate products ("Intermediate products"); (ii) sale of bulk medicine ("Bulk medicine"); and (iii) sale of antibiotics finished products, non-antibiotics finished products and capsule casings (together "Finished products"). These revenue streams are the basis on which the Group reports its primary segment information.

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. executive directors of the Company) for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard, HKAS 14 "Segment Reporting", required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss and segment assets and liabilities.

8. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

(a) Segment turnover and results:

For the year ended 31 December 2009

Income Statement

	Intermediate products HK$'000	Bulk medicine HK$'000	Finished products HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER					
External sales	808,086	2,248,934	1,586,157	–	4,643,177
Inter-segment sales	1,210,948	189,549	–	(1,400,497)	–
	2,019,034	2,438,483	1,586,157	(1,400,497)	4,643,177
RESULT					
Segment profit	189,982	305,402	424,645	(69,430)	850,599
Unallocated other income					5,816
Corporate expenses					(74,555)
Finance costs					(88,490)
Profit before taxation					693,370

8. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

(a) Segment turnover and results: *(Continued)*

For the year ended 31 December 2008

Income Statement

	Intermediate products HK$'000	Bulk medicine HK$'000	Finished products HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER					
External sales	742,386	1,712,200	1,301,270	–	3,755,856
Inter-segment sales	680,319	175,757	–	(856,076)	–
	1,422,705	1,887,957	1,301,270	(856,076)	3,755,856
RESULT					
Segment profit	111,730	235,549	348,851	(8,911)	687,219
Unallocated other income					21,568
Corporate expenses					(59,076)
Finance costs					(117,181)
Profit before taxation					532,530

Measurement

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. Performance is measured based on segment profit that is used by the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. Taxation is not allocated to reportable segments.

The turnover, profit or loss, assets and liabilities of the Group are allocated based on the operations of the segments.

Inter-segment turnover is charged at prevailing market rates.

Reportable segment profit represents the profit earned by each segment without allocation of bank interest income, sundry income of head office, insurance compensation, corporate expenses and staff costs, and finance costs.

8. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

(b) Segment assets and liabilities and other segment information:

For the year ended 31 December 2009

	Intermediate products HK$'000	**Bulk medicine HK$'000**	**Finished products HK$'000**	**Consolidated HK$'000**
Reportable segment assets	**3,630,580**	**2,430,137**	**899,565**	**6,960,282**
Reportable segment liabilities	**961,567**	**796,018**	**166,519**	**1,924,104**
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation and amortisation	**266,556**	**38,303**	**33,659**	**338,518**
Allowance for inventories	**–**	**940**	**1,489**	**2,429**
Gain on disposal of property, plant and equipment	**–**	**–**	**576**	**576**
Additions to non-current assets during the year	**647,190**	**44,729**	**150,673**	**842,592**

For the year ended 31 December 2008

	Intermediate products HK$'000	Bulk medicine HK$'000	Finished products HK$'000	Consolidated HK$'000
Reportable segment assets	3,320,394	1,583,824	805,032	5,709,250
Reportable segment liabilities	785,826	522,336	201,766	1,509,928
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation and amortisation	185,426	31,641	36,098	253,165
(Reversal of) allowances for inventories	(6,978)	–	83	(6,895)
Loss on disposal of property, plant and equipment	–	2,769	1,137	3,906
Additions to non-current assets during the year	944,956	240,225	62,619	1,247,800

8. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

(b) Segment assets and liabilities and other segment information: *(Continued)*

Measurement

Reportable segment assets exclude deferred tax asset, derivative financial instrument, pledged bank deposits, bank balances and cash.

Reportable segment liabilities exclude tax payables, borrowings and deferred tax liabilities.

Non-current assets excluded financial instruments and deferred tax assets.

(c) Reconciliation of reportable segment assets and liabilities

Reconciliation segment assets and liabilities are reconciled to results and total assets and total liabilities of the Group as follows:

	2009 **HK$'000**	2008 HK$'000
Assets		
Reportable segment assets	**6,960,282**	5,709,250
Unallocated assets:		
Deferred tax asset	**18,580**	6,249
Derivative financial instrument	**–**	3,240
Pledged bank deposits	**288,645**	286,045
Bank balances and cash	**192,489**	165,474
Total assets per consolidated statement of financial position	**7,459,996**	6,170,258
Liabilities		
Reportable segment liabilities	**1,924,104**	1,509,928
Unallocated liabilities:		
Tax payables	**68,697**	32,836
Borrowings	**2,205,284**	1,775,542
Deferred tax liabilities	**68,884**	35,457
Total liabilities per consolidated statement of financial position	**4,266,969**	3,353,763

8. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

(d) Geographical information

The turnover by geographical market, irrespective of the origin of the goods and the non-current assets by location of assets are presented below:

	Turnover from external customers		Non-current assets	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**3,626,392**	2,919,420	**4,078,483**	3,578,183
Europe	**234,711**	166,184	**–**	–
India	**383,999**	301,137	**–**	–
Hong Kong	**43,217**	9,729	**142,231**	155,813
Other Asian regions	**255,097**	301,745	**–**	–
Other regions	**99,761**	57,641	**–**	–
	4,643,177	3,755,856	**4,220,714**	3,733,996

Notes:

1) Analysis on turnover from external customers attributed to individual countries in Europe, other Asian regions and other regions is not presented as the cost to develop such necessary information would be excessive.

2) Non-current assets excluded financial instruments and deferred tax assets.

(e) Information about major customers

There is no customer who represents more than 10% of the total sales of the Group.

9. OTHER INCOME

	2009	2008
	HK$'000	HK$'000
Bank interest income	**3,588**	9,594
Sales of raw materials	**9,565**	13,107
Subsidy income (note 35)	**7,367**	15,685
Sundry income	**2,053**	2,160
Tax incentive for re-investing the profit distribution in a subsidiary in accordance with relevant jurisdiction in the PRC	**–**	8,734
Fair value change on foreign currency forward contract	**–**	3,240
Insurance compensation	**–**	10,518
	22,573	63,038

Insurance compensation represents the insurance claimed for the compensation of the property and inventory lost during WenChuan earthquake in the PRC.

10. OTHER GAINS AND LOSSES

	2009	2008
	HK$'000	HK$'000
Net foreign exchange loss	**850**	2,875
Net (gain) loss on disposal of property, plant and equipment	**(576)**	3,906
	274	6,781

11. FINANCE COSTS

	2009	2008
	HK$'000	HK$'000
Interest on borrowings wholly repayable within five years	**105,770**	117,181
Less: amounts capitalised in property, plant and equipment	**(17,280)**	–
	88,490	117,181

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.88% (2008: Nil) per annum to expenditure on qualifying assets.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

Details of the emoluments paid by the Group to the directors for the year are as follows:

Year ended 31 December 2009

	Choy Kam Lok HK$'000	Pang Wei HK$'000	Leung Wing Hon HK$'000	Tsoi Hoi Shan HK$'000	Choy Siu Chit HK$'000	Heng Kwoon Seng HK$'000	Chong Peng Don HK$'000	Huang Bao Guang HK$'000	Song Min HK$'000	Total HK$'000
Fees	–	–	–	–	960	30	135	180	180	1,485
Other emoluments:										
Salaries and other benefits	1,800	1,322	1,200	908	–	–	–	–	–	5,230
Retirement benefit scheme contributions	–	32	12	13	12	–	–	–	–	69
	1,800	1,354	1,212	921	12	–	–	–	–	5,299
Total emoluments	1,800	1,354	1,212	921	972	30	135	180	180	6,784

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors *(Continued)*

Year ended 31 December 2008

	Choy Kam Lok HK$'000	Pang Wei HK$'000	Leung Wing Hon HK$'000	Tsoi Hoi Shan HK$'000	Choy Siu Chit HK$'000	Heng Kwoon Seng HK$'000	Chong Peng Don HK$'000	Huang Bao Guang HK$'000	Song Min HK$'000	Total HK$'000
Fees	–	–	–	–	960	180	–	180	180	1,500
Other emoluments:										
Salaries and other benefits	1,800	1,200	1,200	–	–	–	–	–	–	4,200
Retirement benefit scheme contributions	–	33	12	–	12	–	–	–	–	57
	1,800	1,233	1,212	–	12	–	–	–	–	4,257
Total emoluments	1,800	1,233	1,212	–	972	180	–	180	180	5,757

(b) Employees

The five highest paid individuals of the Group for the year ended 31 December 2009 included two (2008: four) directors of the Company, details of which are set out above. The emoluments of the remaining three (2008: one) individuals for the year are as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	**3,786**	1,308
Retirement benefits scheme contributions	**54**	12
	3,840	1,320

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees *(Continued)*

Their emoluments were within the following bands:

	2009 No. of employees	2008 No. of employees
HK$1,000,001 to HK$1,500,000	**3**	1

No emolument was paid by the Group to any of the directors or the five highest paid individuals as inducement to join upon joining the Group as compensation for loss of office. None of the directors waived any emoluments during the year ended 31 December 2009 and 31 December 2008.

13. TAXATION

	2009 HK$'000	2008 HK$'000
The charge comprises:		
Current tax		
Hong Kong Profits Tax	**19,040**	10,633
PRC enterprise income tax	**98,628**	71,161
(Over) underprovision in prior years		
Hong Kong	**(526)**	1,050
PRC	**(1,638)**	(5,105)
Change of applicable tax rate of a subsidiary (note)	**15,327**	–
	130,831	77,739
Deferred tax (note 28)		
Current year	**21,096**	25,016
Attributable to a change in tax rate	**–**	(394)
	151,927	102,361

13. TAXATION *(Continued)*

Note: The Company's subsidiary, 珠海市萬邦藥業有限公司 ("萬邦藥業"), has previously applied the concessionary tax rate of 18% according to the circular on the Implementation of Transitional Preferential Policies for Enterprise Income Tax by Guo Shui Fa [2007] No. 39. 萬邦藥業 received a tax notification in April 2009 from the State of Administration of Taxation for withdrawing 萬邦藥業 from applying the concessionary tax rate and required to apply the standard rate of 25% with effect from 1 January 2008. The tax expense undercharged for prior year of HK$15,327,000 was charged to profit or loss in current year.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC Enterprise Income Taxes are calculated at the applicable rates of tax prevailing in the areas in which the Group operates, based on the existing legislation, interpretations and practices.

Pursuant to the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises (《外商投資企業和外國企業所得稅法》) and Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises (《外商投資企業和外國企業所得稅法實施細則》), both of which came into force on 1 July 1999, certain subsidiaries in the PRC are entitled to exemption from the PRC Enterprise Income Tax for the first two years commencing from their first profit-making year of operations, after offsetting all unexpired tax losses carried forward from previous years, and thereafter will be entitled to a 50% relief from the PRC Enterprise Income Tax for the following three years. Such tax benefit for respective subsidiaries will expire from 1 January 2010 to 1 January 2013. In addition, certain subsidiaries are entitled to a preferential tax rate as these subsidiaries are regarded as high-technology companies.

Pursuant to the PRC Enterprise Income Tax law and its detailed implementation rules promulgated on 16 March 2007 and 6 December 2007 respectively, for those subsidiaries without preferential tax rates, the new tax rate for domestic and foreign enterprises is unified at 25% and is effective from 1 January 2008 and for those subsidiaries enjoying a preferential tax rate, the new tax rate is increased from 18% over 5 years to 25% as a result of the grandfathering provisions. Besides, with effect from 1 January 2008, if the subsidiaries are qualified as high-technology companies (under the new PRC Enterprise Income Tax Law), the subsidiaries will be entitled a rate of 15%. Deferred tax is recognised based on the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui 2008 No.1, dividend distributed out of the profits generated since 1 January 2008 held by the PRC entity shall be subject to PRC Enterprise Income Tax pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises. Deferred tax of HK$34,632,000 (2008: HK$22,432,000) on the undistributed earnings has been charged to the consolidated statement of comprehensive income for the year ended 31 December 2009.

13. TAXATION *(Continued)*

The tax charge for the year can be reconciled to the profit before taxation as follows:

	2009	2008
	HK$'000	HK$'000
Profit before taxation	**693,370**	532,530
Tax at PRC Enterprise Income Tax rate of 25% (2008: 25%)	**173,343**	133,133
Tax effect of expenses not deductible for tax purpose	**3,830**	4,370
Tax effect of income not taxable for tax purpose	**(688)**	(3,366)
Overprovision in prior years	**(2,164)**	(4,055)
Change of applicable tax rate of a subsidiary	**15,327**	–
Tax effect of tax losses not recognised	**5,777**	2,047
Utilisation of tax losses previously not recognised	**(2,462)**	(2,303)
Tax effect of deductible temporary difference not recognised	**20,363**	–
Utilisation of deductible temporary difference previously not recognised	**–**	(711)
Withholding tax on undistributed profits of subsidiaries	**34,632**	22,432
Effect of tax concessionary rates granted to the PRC subsidiaries	**(49,587)**	(32,619)
Effect of tax exemptions granted to the PRC subsidiaries	**(37,687)**	(11,083)
Effect of different tax rates of subsidiaries	**(9,185)**	(5,279)
Effect of change in tax rate	**–**	(394)
Others	**428**	189
Tax charge for the year	**151,927**	102,361

14. PROFIT FOR THE YEAR

	2009 **HK$'000**	2008 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Provision of (reversal of) allowances for inventories	**2,429**	(6,895)
Provision of (reversal of) allowance for doubtful debts, net	**1,264**	(12,650)
Auditor's remuneration		
– Current year	**3,300**	2,800
– Underprovision in prior year	**300**	–
Depreciation and amortisation		
Depreciation of property, plant and equipment	**333,238**	248,249
Amortisation		
– intangible assets (included in administrative expenses)	**1,859**	1,843
– prepaid lease payments	**3,421**	3,073
	338,518	253,165
Less: amount included in research and development expenditures	**(481)**	(1,094)
	338,037	252,071
Operating lease payments in respect of rented premises	**1,381**	2,700
Staff costs, including directors' emoluments		
Salaries and other benefits costs	**356,461**	267,546
Retirement benefit costs	**24,637**	17,966
	381,098	285,512
Less: amount included in research and development expenditures	**(3,122)**	(2,626)
	377,976	282,886
Loss on production suspension (included in other expenses)	**23,078**	25,028
Research and development expenditures (included in other expenses)	**13,831**	15,436

15. DIVIDEND

	2009	2008
	HK$'000	HK$'000
Final dividend paid for 2008 of HK15 cents (2007: HK17 cents) per share	**180,000**	204,000

A final dividend of HK19 cents (2008: HK15 cents) for the year ended 31 December 2009 per share has been proposed by the directors and is subject to the approval by the shareholders in the forthcoming general meeting.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2009 is based on the profit attributable to the owners of the Company and the weighted average number of 1,200,000,000 (2008: 1,200,000,000) shares.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 January 2008	761,795	1,950,750	72,728	38,977	370,594	3,194,844
Exchange adjustments	45,375	118,686	4,284	2,374	34,726	205,445
Additions	107,473	162,933	4,707	7,465	934,299	1,216,877
Disposals	(503)	(20,763)	(5,302)	(4,642)	–	(31,210)
Reclassification	187,221	70,900	1,298	156	(259,575)	–
At 31 December 2008	1,101,361	2,282,506	77,715	44,330	1,080,044	4,585,956
Exchange adjustments	5,126	11,276	341	200	3,946	20,889
Additions	28,551	110,121	3,365	5,628	691,573	839,238
Disposals	–	(3,130)	(279)	(595)	–	(4,004)
Reclassification	443,496	879,405	–	123	(1,323,024)	–
At 31 December 2009	1,578,534	3,280,178	81,142	49,686	452,539	5,442,079
DEPRECIATION						
At 1 January 2008	116,678	653,760	47,709	26,905	–	845,052
Exchange adjustments	6,683	39,272	2,802	1,571	–	50,328
Charge for the year	34,560	200,650	9,272	3,767	–	248,249
Eliminated on disposals	(56)	(15,454)	(4,511)	(4,045)	–	(24,066)
At 31 December 2008	157,865	878,228	55,272	28,198	–	1,119,563
Exchange adjustments	683	3,995	243	127	–	5,048
Charge for the year	47,065	274,767	6,961	4,445	–	333,238
Eliminated on disposals	–	(3,056)	(223)	(535)	–	(3,814)
At 31 December 2009	205,613	1,153,934	62,253	32,235	–	1,454,035
CARRYING AMOUNTS						
At 31 December 2009	1,372,921	2,126,244	18,889	17,451	452,539	3,988,044
At 31 December 2008	943,496	1,404,278	22,443	16,132	1,080,044	3,466,393

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The carrying amount of buildings shown above comprises properties situated on:

	2009 HK$'000	2008 HK$'000
Leasehold land in Hong Kong:		
Medium-term lease	**99,021**	101,855
Leasehold land in the PRC:		
Medium-term lease	**1,273,900**	841,641
	1,372,921	943,496

At 31 December 2009, the Group is in the process of obtaining the real estate ownership certificate for building in the PRC with an aggregate carrying amount of HK$89,137,000 (2008: HK$47,760,000).

18. PREPAID LEASE PAYMENTS

	2009 HK$'000	2008 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term lease	**21,724**	22,588
Land use rights in the PRC:		
Medium-term lease	**109,169**	112,406
	130,893	134,994
Analysed for reporting purposes as:		
Non-current asset	**127,833**	131,921
Current asset	**3,060**	3,073
	130,893	134,994

At 31 December 2009, the Group is in the process of obtaining the land use rights certificate for prepaid lease payments in the PRC with an aggregate amount of HK$22,950,000 (2008: HK$19,348,000).

19. GOODWILL

	HK$'000
COST	
At 1 January 2008	3,226
Exchange adjustments	202
At 31 December 2008	3,428
Exchange adjustments	9
At 31 December 2009	3,437

For the purposes of impairment testing, goodwill with indefinite useful lives has been allocated to two individual cash generating units (CGUs), including one subsidiary which operates in bulk medicine segment and one subsidiary which operates in finished products segment. The carrying amounts of goodwill at the end of the reporting period allocated to these units are as follows:

	2009 **HK$'000**	2008 HK$'000
Bulk medicine	**877**	875
Finished products	**2,560**	2,553
	3,437	3,428

Based on the impairment testing of goodwill at the end of the reporting period, the management of the Group considered that there are no impairments of any of its CGUs containing goodwill with indefinite useful lives.

The recoverable amounts of the relevant CGUs have been determined on the basis of value in use calculations. The value in use calculations use cash flow projections which are based on approved financial budgets covering a 5-year period and discount rate of 10.02% (2008: 13.99%). Cash flows beyond the 5-year period have been extrapolated using growth rate of 0% (2008: 0%). The key assumptions is budgeted gross margin based on the past performance and the Group's expectation for the market development.

20. INTANGIBLE ASSETS

	HK$'000
COST	
A 1 January 2008	18,269
Exchange adjustments	1,144
Addition	133
At 31 December 2008	19,546
Exchange adjustments	94
Addition	3,354
At 31 December 2009	22,994
AMORTISATION	
At 1 January 2008	12,926
Exchange adjustments	842
Charge for the year	1,843
At 31 December 2008	15,611
Exchange adjustments	74
Charge for the year	1,859
At 31 December 2009	17,544
CARRYING AMOUNTS	
At 31 December 2009	5,450
At 31 December 2008	3,935

Intangible assets represent the carrying amounts of the development costs incurred in obtaining licences for manufacturing finished products granted by the relevant PRC authorities. The licenses granted allowing the Group to apply the relevant technical know-how to manufacture finished products for five years from the date of granting relevant licenses. The costs of intangible assets are therefore amortised over the useful lives of five years.

21. AVAILABLE-FOR-SALE INVESTMENT

	2009	2008
	HK$'000	HK$'000
Unlisted investment at cost	**23,417**	23,417
Less: Impairment loss recognised	**(23,417)**	(23,417)
	–	–

The above unlisted investment represents investment in unlisted equity securities issued by a private entity incorporated in the United States. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The directors conducted a review of the investee company's operating results and financial position in previous years and determined the investment was fully impaired. Accordingly, impairment loss of HK$23,417,000 was recognised in previous years.

22. INVENTORIES

	2009	2008
	HK$'000	HK$'000
Raw materials	**150,273**	162,588
Work in progress	**300,671**	216,517
Finished goods	**433,779**	394,886
	884,723	773,991

23. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2009 HK$'000	2008 HK$'000
Trade and bills receivables	**1,690,997**	1,112,043
Less: allowance for doubtful receivables	**(22,214)**	(20,851)
	1,668,783	1,091,192
Deposits and prepayments	**183,002**	106,998
	1,851,785	1,198,190

The Group normally allows an average credit period of 30 to 120 days to its trade customers, and may be extended to selected customers depending on their trade volume and settlement with the Group. The bills receivables have average maturity period of 90 to 180 days.

The following is an analysis of trade and bills receivables by age, presented based on the invoice date at the end of the reporting period:

	2009 HK$'000	2008 HK$'000
Trade receivables		
0 to 30 days	**420,350**	217,571
31 to 60 days	**261,758**	162,033
61 to 90 days	**17,054**	59,459
91 to 120 days	**439**	3,440
121 to 180 days	**1,219**	3,246
Over 180 days	**470**	1,288
	701,290	447,037
Bills receivables		
0 to 30 days	**101,866**	93,362
31 to 60 days	**114,198**	75,233
61 to 90 days	**145,990**	125,347
91 to 120 days	**266,189**	122,536
121 to 180 days	**335,154**	225,019
Over 180 days	**4,096**	2,658
	967,493	644,155

23. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

98% (2008: 95%) of the trade and bills receivables that are neither past due nor impaired and have either been subsequently settled or maintained active trade business relationship with the Group.

Included in the Group's trade and bills receivable are debtors with a carrying amount of HK$12,361,000 (2008: HK$38,361,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. As there has not been a significant change in credit quality, the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade and bills receivables which are past due but not impaired

	2009	2008
	HK$'000	HK$'000
61-90 days	**6,137**	27,729
91-120 days	**439**	3,440
121-180 days	**1,219**	3,246
Over 180 days	**4,566**	3,946
	12,361	38,361

In determining the recoverability of trade and bills receivables, the Group considers any change in the credit quality of the trade and bills receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited as the customer base is large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts already provided for in the consolidated financial statements.

Movement in the allowance for doubtful debts

	2009	2008
	HK$'000	HK$'000
Balance at beginning of the year	**20,851**	33,446
Exchange adjustments	**99**	1,906
Amount written off as uncollectible	**–**	(1,851)
Impairment losses recognised on receivables	**3,580**	252
Impairment losses reversed	**(2,316)**	(12,902)
Balance at end of the year	**22,214**	20,851

23. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Movement in the allowance for doubtful debts *(Continued)*

At 31 December 2009, gross trade receivables balance totalling HK$22,214,000 (2008: HK$20,851,000) were individually determined to be impaired, which related to customers that were in financial difficulties. The management assessed that full amount of the trade receivables is expected to be non-recoverable. The Group does not hold any collateral over these balances.

As at 31 December 2009, the Group had HK$698,436,000 (2008: HK$428,969,000) of bills receivables discounted to several bank with recourse by providing a credit guarantee over the expected losses of those receivables, of which HK$31,090,000 (2008: HK$13,646,000) bills receivables were issued by the Group's debtor, and the remaining were issued by certain subsidiaries of the Group. Accordingly, the Group continues to recognise the full carrying amount of the receivables and has recognised the cash received on such discount as a secured borrowing (see note 27).

Included in the Group's trade and bills receivables are trade receivables with a carrying amount of HK$223,820,000 (2008: HK$145,559,000) which are denominated in United States dollars, being foreign currency of the respective group entities.

24. DERIVATIVE FINANCIAL INSTRUMENT

	2009 **HK$'000**	2008 HK$'000
Foreign currency forward contract	–	3,240

During the year ended 31 December 2008, the Group had entered into a foreign currency forward contract with a bank to reduce its exposure to currency fluctuation risk of payment for purchase of property, plant and equipment that are denominated in Euro. This derivative was not accounted for under hedge accounting. At 31 December 2008, the Group had outstanding a foreign currency forward contract with notional amount of Euro 4,000,000 (equivalent to HK$39,920,000). The contract was subject to net settlement at maturity date and was measured at fair value at the end of the reporting period. The major terms of this foreign currency forward contract were as follows:

Notional amount	**Maturity date**	**Exchange rate**
Buy Euro 4,000,000	31 March 2009	HK$9.98/Euro 1

25. PLEDGED BANK DEPOSITS AND BANK BALANCES

Pledged bank deposits

	2009	2008
	HK$'000	HK$'000
Pledged bank deposits denominated in:		
Renminbi	**283,068**	237,969
Hong Kong dollars	**5,566**	48,065
United States dollars	**11**	11
	288,645	286,045

Renminbi is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to foreign exchange restrictions imposed by the PRC government.

The pledged deposits have been placed in designated banks as part of the security provided for general short-term banking facilities granted to the Group by banks and are therefore classified as current assets (see note 33).

The range of average effective interest rates of the pledged deposits at 31 December 2009 is 1.71% to 2.25% (2008: 0.36% to 2.25%) per annum.

Bank balances and cash

	2009	2008
	HK$'000	HK$'000
Bank balances and cash denominated in:		
Renminbi	**159,530**	153,569
Hong Kong dollars	**19,735**	8,389
United States dollars	**13,224**	3,516
	192,489	165,474

Renminbi is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to foreign exchange restrictions imposed by the PRC government.

25. PLEDGED BANK DEPOSITS AND BANK BALANCES *(Continued)*

Bank balances and cash *(Continued)*

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

The range of average effective interest rate of the bank balances at 31 December 2009 is 0.001% to 1% (2008: 0.36% to 3.6%) per annum.

26. TRADE AND BILLS PAYABLES AND ACCRUED CHARGES

The Group normally receives credit terms of 0 day to 120 days from its suppliers. The following is an analysis of the trade and bills payables by age, presented based on the invoice date at the end of the reporting period:

	2009	2008
	HK$'000	HK$'000
Trade payables		
0 to 90 days	**824,096**	475,476
91 to 180 days	**328,748**	256,842
Over 180 days	**40,101**	17,210
	1,192,945	749,528
Bills payables		
0 to 90 days	**41,656**	145,466
91 to 180 days	**184,305**	159,551
	225,961	305,017
Other payables and accruals	**505,198**	455,383
	1,924,104	1,509,928

The average credit period on purchases of goods is 60 days. The Group has financial risk management policy in place to ensure that all payables are within the credit timeframe.

26. TRADE AND BILLS PAYABLES AND ACCRUED CHARGES *(Continued)*

Included in the trade payables and other payable above are HK$710,089,000 and HK$102,719,000 respectively (2008: HK$152,766,000 and HK$123,304,000) that has been paid by endorsed bills for which the maturity date has not yet due as at the end of the reporting period.

At 31 December 2008, included in the Group's trade and bills payables were bills payables with a carrying amount of HK$45,456,000 which were denominated in Euro, being foreign currency of the respective group entities.

27. BORROWINGS

	2009	2008
	HK$'000	HK$'000
Bank loans	**1,505,740**	1,342,134
Discounted bills with recourse	**698,436**	428,969
Trust receipt loans	**1,108**	1,477
Bank overdraft, secured	**–**	2,962
	2,205,284	1,775,542
Analysed as:		
Secured	**900,622**	886,251
Unsecured	**1,304,662**	889,291
	2,205,284	1,775,542

The borrowings are repayable as follows:

	2009	2008
	HK$'000	HK$'000
Within one year	**1,347,365**	1,350,850
More than one year, but not exceeding two years	**647,731**	136,645
More than two years, but not exceeding five years	**210,188**	288,047
	2,205,284	1,775,542
Less: Amount due within one year shown under current liabilities	**(1,347,365)**	(1,350,850)
Amount due after one year	**857,919**	424,692

27. BORROWINGS *(Continued)*

The carrying amounts of the Group's borrowings which are denominated in the functional currencies of the respective group entities are analysed as follows:

Denominated in	Interest rate	2009 HK$'000	2008 HK$'000
Renminbi	People's Bank of China lending rate – floating rate	**1,743,904**	1,276,658
Renminbi	People's Bank of China lending rate – fixed rate	**138,616**	245,427
Hong Kong dollars	Hong Kong Interbank Offered Rate plus 1% to 2.5%	**321,656**	251,980
Hong Kong dollars	Standard bills rate quoted by banks or at a margin over Hong Kong prime rate	**1,108**	1,477
		2,205,284	1,775,542

Certain banking facilities are secured by the charge over all assets of certain subsidiaries of the Group. The trust receipt loans are secured by the Group's leasehold land and buildings and bank deposits.

The range of average effective interest rates of the floating rate borrowings at 31 December 2009 is 3.89% to 5.59% (2008: 4.01% to 8.41%) per annum. The range of average effective interest rates of the fixed rate borrowings at 31 December 2009 is 4.86% to 8.22% (2008: 5.31% to 7.47%) per annum. The range of average effective interest rates of the trust receipt loans at 31 December 2009 is 1.89% to 2.74% (2008: 3.68% to 6.45%) per annum. The range of average effective interest rates of the bank overdraft at 31 December 2008 is 4.76% to 6.94% per annum.

28. DEFERRED TAXATION

The followings are the deferred tax assets (liabilities) recognised and movements thereon for the current and prior years:

	Accelerated tax depreciation HK$'000	Unrealised profit on inventories HK$'000	Undistributed profits of subsidiaries HK$'000	Total HK$'000
At 1 January 2008	(14,235)	9,649	–	(4,586)
Credit (charge) to profit or loss for the year	397	(2,981)	(22,432)	(25,016)
Effect of change in tax rate	813	(419)	–	394
At 31 December 2008	(13,025)	6,249	(22,432)	(29,208)
Credit (charge) to profit or loss for the year	1,205	12,331	(34,632)	(21,096)
At 31 December 2009	(11,820)	18,580	(57,064)	(50,304)

The following is the analysis of the deferred tax balances for financial reporting purpose:

	2009 HK$'000	2008 HK$'000
Deferred tax assets	**18,580**	6,249
Deferred tax liabilities	**(68,884)**	(35,457)
	(50,304)	(29,208)

28. DEFERRED TAXATION *(Continued)*

No deferred tax asset has been recognised in relation to the deductible temporary differences of the following items as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised:

	2009	2008
	HK$'000	HK$'000
Accelerated depreciation charges	**195,768**	119,610
Allowances for doubtful debts	**22,214**	20,851
Allowances for inventories	**25,901**	21,971
	243,883	162,432

The Group has unrecognised tax losses of HK$28,760,000 (2008: HK$15,500,000) at the end of the reporting period. No deferred tax asset has been recognised for such tax losses due to unpredictability of future profits streams. The unrecognised tax losses will expire in the following years ending 31 December:

	2009	2008
	HK$'000	HK$'000
Tax losses will expire in 2013	**–**	8,188
Tax losses without expiry	**28,760**	7,312
	28,760	15,500

29. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1 January 2008, 31 December 2008 and 31 December 2009	3,800,000,000	38,000
Issued and fully paid:		
At 1 January 2008, 31 December 2008 and 31 December 2009	1,200,000,000	12,000

30. SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted pursuant to the written resolutions of the sole shareholder of the Company passed on 25 May 2007 and will expire at the close of business on the day immediately preceding the tenth anniversary thereof. Under the scheme, the board of directors of the Company may, at their discretion, grant options to employees, including executive or non-executive directors of the company or any of its subsidiaries business or joint venture partner, contractor, agent or representation, investor, vendor, supplier, etc. to subscribe for shares in the Company at a price not less than the highest of (i) HK$2.75; (ii) the closing price of a share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the relevant option, which must be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the relevant option.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company shall not exceed 30% of the shares of the Company in issue from time to time. The maximum number of shares in respect of which options may be granted under the Scheme, when aggregated with any shares subject to any other schemes shall not exceed 10% of the issued share capital of the Company immediately upon the listing of the shares on the Stock Exchange, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate in any 12-month period shall not exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders.

No option has been granted or agreed to be granted under the Scheme.

31. OPERATING LEASES

The Group as lessee

	2009 **HK$'000**	2008 HK$'000
Aggregate outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:		
Within one year	**867**	599
In the second to fifth years inclusive	**41**	115
	908	714

Operating lease payments represent rentals payable by the Group for certain of its production plant, dormitory and office.

Lease are negotiated for terms of one to two years and rentals are fixed throughout the lease term.

32. CAPITAL COMMITMENTS

	2009 **HK$'000**	2008 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**122,222**	471,189

33. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks as securities against banking facilities granted to the Group:

	2009	2008
	HK$'000	HK$'000
Property, plant and equipment	**1,364,327**	897,499
Prepaid lease payments	**129,136**	120,942
Bills receivables	**58,371**	122,249
Pledged bank deposits	**288,645**	286,045
	1,840,479	1,426,735

34. EMPLOYEE RETIREMENT BENEFITS

The Group participates in a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employee's basic salary with the maximum contribution of HK$1,000 per month. The obligation of the Group with respect of MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contribution is available to reduce the contributions payable in future years. The Group's contributions to the MPF Scheme of HK$535,000 (2008: HK$455,000) are charged to profit or loss.

Employees of the subsidiaries in the PRC are members of pension schemes operated by the Chinese local government. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits. The only obligation for the Group with respect to the pension schemes is the required contributions under the pension schemes. The Group's contributions to the pension schemes of HK$24,102,000 (2008: HK$17,511,000) are charged to profit or loss.

35. GOVERNMENT GRANTS

Incentive subsidies of HK$4,878,000 (2008: HK$13,362,000) have been received in the current year to encourage the operations of certain PRC subsidiaries for the development of environmental friendly manufacturing, pollution prevention, development on export sales and advanced technology. There were no specific conditions attached to the grants and, therefore, the Group recognised the grants upon receipt. The subsidies were granted on a discretionary basis to the Group during the year.

As at 31 December 2009, governments grants of HK$6,817,000 (2008: HK$6,786,000) was received by the Group to subsidise the acquisition of property, plant and machinery. The amount has been treated as deferred income and included in trade and bills payables and accrued charges. The amount is transferred to profit or loss in the form of reduced depreciation or amortisation charges over the useful lives of the relevant assets.

In addition, included in trade and bills payables and accrued charges are deferred government subsidy of HK$5,170,000 (2008: HK$5,033,000) which are provided by the PRC government authorities for the purpose of financing the relevant expenses for new products development. The amounts are recognised as income in accordance with the relevant accounting policy. This policy has resulted in a credit to the current year's profit or loss of HK$2,489,000 (2008: HK$2,053,000).

36. LIST OF SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company (note a)		Principal activities and place of operation
			2009	2008	
The United Laboratories (Hong Kong) Holding Limited	British Virgin Islands	US$50,000	**100%**	100%	Investment holdings Hong Kong
The United Laboratories (Hong Kong) Group Limited	British Virgin Islands	US$50,000	**100%**	100%	Investment holdings Hong Kong
Bowden Trading Limited	Samoa	US$1,000	**100%**	100%	Trademark holdings Hong Kong

36. LIST OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company (note a) 2009	2008	Principal activities and place of operation
The United Laboratories, Limited	Hong Kong	HK$15,000,000	**100%**	100%	Investment holdings and manufacturing and sale of pharmaceutical products Hong Kong
Team Crown Trading Limited	Hong Kong	HK$10,000	**100%**	100%	Trading of pharmaceutical products Hong Kong
Bear World Limited	Hong Kong	HK$10,000	**100%**	100%	Investment holdings Hong Kong
Team Profit Management Limited	Hong Kong	HK$10,000	**100%**	100%	Investment holdings Hong Kong
Lynbond International Limited	Hong Kong	HK$10,000	**100%**	100%	Inactive
聯邦制藥(成都)有限公司 (note b)	PRC	RMB250,000,000	**100%**	100%	Manufacturing and sale of pharmaceutical intermediate products PRC
珠海康知樂醫藥有限公司 (note c)	PRC	RMB250,000,000	**100%**	100%	Inactive
珠海聯邦制藥股份有限公司 (note d)	PRC	RMB313,600,000	**100%**	100%	Manufacturing and sale of pharmaceutical products PRC
珠海樂邦制藥有限公司 (note b)	PRC	RMB12,825,182	**100%**	100%	Manufacturing and sale of pharmaceutical products PRC

36. LIST OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company (note a) 2009	2008	Principal activities and place of operation
珠海市萬邦藥業有限公司 (note c)	PRC	RMB1,000,000	**100%**	100%	Trading of pharmaceutical products PRC
廣西康樂藥品有限責任公司 (note c)	PRC	RMB5,000,000	**100%**	–	Trading of pharmaceutical products PRC
珠海樂康醫藥有限公司 (note c)	PRC	RMB5,000,000	**100%**	–	Trading of pharmaceutical products PRC
廣東開平金億膠囊有限公司 (note b)	PRC	RMB16,450,503	**100%**	100%	Manufacturing and sale of soft capsules casings PRC
中山金億食品有限公司 (note b)	PRC	RMB8,014,500	**100%**	100%	Investment holdings PRC
珠海市金德福企業策劃有限公司 (note c)	PRC	RMB15,000,000	**100%**	100%	Investment holdings PRC
聯邦制藥(內蒙古)有限公司 (note b)	PRC	RMB320,000,000	**100%**	100%	Manufacturing and sale of pharmaceutical intermediate products PRC

Notes:

(a) Other than The United Laboratories (Hong Kong) Holding Limited, all subsidiaries are indirectly held by the Company.

(b) A wholly foreign-owned enterprise established in the PRC.

(c) A company established in the PRC with limited liability.

(d) A joint stock limited liability company established in the PRC.

FINANCIAL SUMMARY

	Year ended 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	1,720,442	2,080,479	2,594,937	3,755,856	**4,643,177**
Profit before taxation	175,471	221,778	558,341	532,530	**693,370**
Taxation	(42,526)	(47,940)	(47,878)	(102,361)	**(151,927)**
Profit for the year	132,945	173,838	510,463	430,169	**541,443**
Attributable to:					
Owners of the Company	116,566	173,838	510,463	430,169	**541,443**
Minority interests	16,379	–	–	–	**–**
	132,945	173,838	510,463	430,169	**541,443**

	As at 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	3,331,233	3,712,220	4,750,088	6,170,258	**7,459,996**
Total liabilities	(2,206,226)	(2,400,625)	(2,297,556)	(3,353,763)	**(4,266,969)**
	1,125,007	1,311,595	2,452,532	2,816,495	**3,193,027**
Equity attributable to					
Owners of the Company	1,012,965	1,311,595	2,452,532	2,816,495	**3,193,027**
Minority interests	112,042	–	–	–	**–**
	1,125,007	1,311,595	2,452,532	2,816,495	**3,193,027**

Note: The financial summary for the two years ended 31 December 2006 is extracted from the Prospectus, while the financial summary for the three years ended 31 December 2009 is extracted from the Company's consolidated financial statements for the year ended 31 December 2008 and 2009.